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D. Billye Sanders
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October 25, 2001

Via Hand-Delivery

K. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

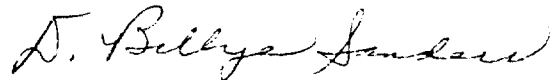
Re: Petition of Kentucky Utilities Company for an Order Authorizing
the Issuance of Securities and the Assumption of Obligations

Dear Mr. Waddell:

Enclosed you will find the original and thirteen (13) copies of the Petition of Kentucky Utilities for an Order Authorizing the Issuance of Securities and the Assumption of Obligations. I have also enclosed a check for \$25 for the filing fee.

Please contact me if you need any additional information.

Sincerely,



D. Billye Sanders

DBS:lmb

Enclosures

cc: Kendrick R. Riggs, Esq.
John Wade Hendricks, Esq.
Michael S. Beer
John P. Fendig
Walter H. Crouch, Esq.
Consumer Advocate and Protection Division

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: PETITION OF KENTUCKY UTILITIES)
COMPANY FOR AN ORDER AUTHORIZING) DOCKET NO. 01-_____
THE ISSUANCE OF SECURITIES AND THE)
ASSUMPTION OF OBLIGATIONS)

PETITION TO ISSUE SECURITIES PURSUANT
TO T.C.A. SECTION 65-4-109

Kentucky Utilities Company (“KU” or “Petitioner”), pursuant to T.C.A. § 65-4-109, hereby applies for an Order authorizing Petitioner to issue securities as described herein. In support of this Petition, Petitioner states as follows:

1. Petitioner is a corporation organized and existing under the laws of the Commonwealths of Kentucky and Virginia and is an electric utility engaged in the business thereof primarily in Kentucky and Virginia. Petitioner also has six (6) customers in Tennessee which produced revenue of \$2,054.86 in the past twelve months (0.00023% of KU's revenue and 0.00048% of KU's kwh sales). All of KU's Tennessee customers are located in one county, and its electric utility property located in Tennessee consists of approximately 7½ pole miles of electric lines and one distribution substation. A description of Petitioner's total electric utility property, in Tennessee, Kentucky and Virginia, is attached as Exhibit 1.

2. The post office address of Petitioner is One Quality Street, Lexington, Kentucky 40507.

3. A copy of Petitioner's Amended and Restated Articles of Incorporation and all amendments thereto are attached hereto as Exhibit 2.

4. This Petition relates to the proposed refinancing of up to four outstanding series of pollution control bonds. The particular series of pollution control bonds to be refinanced are:

- (i) the \$20,930,000 principal amount of County of Carroll, Kentucky Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project), 1992 series B, due February 1, 2018, secured by KU's First Mortgage Bonds Series 1B;
- (ii) the \$2,400,000 principal amount of County of Carroll, Kentucky Pollution Collateralized Control Revenue Bonds (Kentucky Utilities Company Project), 1992 Series C, due February 1, 2018, secured by KU's First Mortgage Bonds Series 2B;
- (iii) the \$7,200,000 principal amount of County of Muhlenberg, Kentucky Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project), 1992 Series A, due February 1, 2018, secured by KU's First Mortgage Bonds Series 3B; and
- (iv) the \$7,400,000 principal amount of County of Mercer, Kentucky Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project), 1992 Series A, due February 1, 2018, secured by KU's First Mortgage Bonds Series 4B.

The existing Carroll County Pollution Control Revenue Bonds, Muhlenberg County Pollution Control Revenue Bonds and Mercer County Pollution Control Revenue Bonds are herein collectively referred to as the "Existing Bonds". The existing KU First Mortgage Bonds Series 1B, 2B, 3B, and 4B are herein collectively referred to as the "Existing First Mortgage Bonds". KU was authorized to undertake its obligations in regard to the Existing Bonds and the Existing First Mortgage Bonds by Order in Docket Number 92-05133, dated July 20, 1992. In connection with this refinancing, Petitioner requests authority to (i) assume certain obligations under various agreements relating to the refunding of the Existing Bonds in an aggregate principal amount not to exceed \$37,930,000, and (ii) issue one or more series of Petitioner's First Mortgage Bonds in an aggregate principal amount not to exceed \$37,930,000 to collateralize the proposed new bonds all as more particularly described herein.

The purpose for refinancing the Existing Bonds is to take advantage of current, historically low long-term interest rates and thereby reduce KU's costs of debt over the life of the bonds. The Existing Bonds currently bear interest at the rate of 6-1/4% per annum. Based on current interest rates, Petitioner expects that the Refunding Bonds could be issued initially at lower rates providing current (or near term) interest rate savings. Certain of the Existing Bonds also may be candidates for extension of maturity, which, if permissible, would provide even further savings. A chart showing the expected savings is attached to this Petition as Exhibit 3.

The following table shows, for each series of Existing Bonds, (i) the initial public offering price, (ii) proceeds to KU from the sale (after deducting underwriting discounts and commissions) and (iii) KU's expenses associated with the sale.

	Public Offering Price	Proceeds	Expenses
1992 Series B Carroll County Bonds	\$20,930,000	\$20,685,328	\$399,422
1992 Series C Carroll County Bonds	\$2,400,000	\$2,371,944	\$43,573
1992 Series A Muhlenberg County Bonds	\$7,200,000	\$7,115,832	\$137,981
1992 Series A Mercer County Bonds	\$7,400,000	\$7,313,494	\$145,243

The Existing Bonds are subject to redemption, upon at least 30 days previous notice, at 102% of their principal amount beginning February 1, 2002 through January 31, 2003.

5. In connection with the refinancing of the Existing Bonds, KU would assume certain obligations under one or more loan agreements with Carroll County, Muhlenberg County and Mercer County, and may enter into guaranty agreements guaranteeing repayment of all or any part of the obligations under one or more Refunding Bonds for the benefit of the holders of such bonds.

KU requests authority to assume certain obligations under various agreements in an aggregate principal amount not to exceed \$23,330,000 in connection with the proposed issuance

of one or more series of new Carroll County pollution control revenue bonds (the "Carroll County Refunding Bonds"), certain obligations under various agreements in an aggregate principal amount not to exceed \$7,200,000 in connection with the proposed issuance of one or more series of new Muhlenberg County pollution control revenue bonds (the "Muhlenberg County Refunding Bonds") and certain obligations under various agreements in an aggregate principal amount not to exceed \$7,400,000 in connection with the proposed issuance of one or more series of new Mercer County pollution control revenue bonds (the "Mercer County Refunding Bonds" and, together with the Carroll County Refunding Bonds and the Muhlenberg County Refunding Bonds, the "Refunding Bonds"). Carroll County, Muhlenberg County and Mercer County have express statutory authority to issue the Refunding Bonds pursuant to Kentucky Revised Statute 103.220(5). KU proposes to assume such obligations in connection with the refinancing of one or more series of the Existing Bonds.

The proceeds of a series of Carroll County Refunding Bonds would be loaned to KU by Carroll County to provide funds to redeem a corresponding principal amount of the Existing Carroll County Pollution Control Bonds. The proceeds of a series of Muhlenberg County Refunding Bonds would be loaned to KU by Muhlenberg County to provide funds to redeem a corresponding principal amount of the Existing Muhlenberg County Pollution Control Bonds. The proceeds of a series of Mercer County Refunding Bonds would be loaned to KU by Mercer County to provide funds to redeem a corresponding principal amount of the Existing Mercer County Pollution Control Bonds.

6. KU anticipates that the refinancing will involve KU's New First Mortgage Bonds (as hereinafter defined) issued to secure the Refunding Bonds. KU's New First Mortgage Bonds would replace Existing First Mortgage Bonds. If KU's New First Mortgage Bonds are used, the structure and documentation for the issuance of the bonds and related agreements would be

similar to the structure and documentation of other recent pollution control financings of KU involving KU's First Mortgage Bonds. KU's New First Mortgage Bonds will be issued in like amount to the Refunding Bonds and would be used to secure its payment obligations under the Refunding Bonds. KU therefore requests authority to issue one or more series of its New First Mortgage Bonds, Pollution Control Series (collectively the "New First Mortgage Bonds") in an aggregate principal amount not to exceed \$37,930,000. The New First Mortgage Bonds would be delivered to one or more corporate trustees under indentures of trusts between the respective Counties and such trustee (each a "Trustee"), in connection with the issuance and sale by Carroll County, Muhlenberg County and Mercer County of their respective Refunding Bonds. The New First Mortgage Bonds would be held by the Trustees to secure payment of the Refunding Bonds and payment by KU of all sums payable by KU as discussed below. The New First Mortgage Bonds will be issued pursuant to one or more supplemental indentures, each of which would be a supplement to the Indenture of Mortgage and Deed of Trust dated May 1, 1947, between KU and Continental Bank, N.A., and M. J. Kruger or their successors as trustees, as heretofore amended and supplemented. The New First Mortgage Bonds would have a maturity date corresponding to the Refunding Bonds, not to exceed 30 years from date of issuance.

7. The Refunding Bonds would be issued pursuant to one or more indentures (each an "Indenture"), between the Counties and the Trustee. The proceeds from the sale of one or more series of Refunding Bonds would be loaned to KU pursuant to loan agreements between the Counties and KU (each a "Loan Agreement" and collectively the "Loan Agreements").

The payments to be made by KU under the Loan Agreement for one or more series of Refunding Bonds, together with other funds available for the purpose, would be sufficient to pay the principal and interest on such Refunding Bonds. The Loan Agreements and the payments to be made by KU pursuant thereto will be assigned to the respective Counties to secure the

payment of the principal and interest on the related Refunding Bonds. Upon issuance of a series of Refunding Bonds, KU may issue one or more guaranties (collectively, the "Guaranties"), in favor of the Trustees guaranteeing repayment of all or any part of the obligations under such Refunding Bonds for the benefit of the holders of such bonds.

8. The Refunding Bonds would be sold in one or more underwritten public offerings, negotiated sales, or private placement transactions utilizing the proper documentation. Their price, maturity date(s), interest rate(s), redemption provisions and other terms and provisions of each series of Refunding Bonds (including, in the event all or certain series of the Refunding Bonds initially bear a variable rate of interest, the method for determining the interest rate) would be determined on the basis of negotiations among KU, Carroll County, Muhlenberg County or Mercer County, as applicable, and the purchasers of such bonds. However, the amount of compensation to be paid to underwriters for their services would not exceed two percent (2%) of the principal amount of the Refunding Bonds of each series to be sold. Based upon past experience with similar refinancings, KU estimates the total costs, in addition to redemption premiums, of the refinancing of the four series of Existing Bonds to be approximately \$1,120,000.

9. Because of the historical spread between long term fixed interest rates and short term rates, all or a portion of the Refunding Bonds may be issued initially with interest rates that fluctuate on a weekly, monthly or other basis as determined from time-to-time by KU, including issuance of auction mode Refunding Bonds, coupled with bond insurance. KU would have the option to convert such Refunding Bonds at a later date to other interest rate modes, including a fixed rate of interest. Refunding Bonds that bear interest at a variable rate (the "Variable Rate Refunding Bonds") also may be subject to tender by the holders thereof for redemption or purchase. In order to provide funds to pay the purchase price of such tendered Variable Rate

Refunding Bonds, KU would enter into one or more remarketing agreements with one or more remarketing agents whereby the remarketing agent would use its best efforts to remarket such tendered Variable Rate Refunding Bonds to other purchasers at a price equal to the purchase price of such Variable Rate Refunding Bonds. Thus, to the extent Variable Rate Refunding Bonds are issued, the documentation will be similar to previous bonds that were issued with a variable interest rate.

10. Also, in the event that Variable Rate Refunding Bonds are issued, KU may enter into one or more liquidity facilities (the “Current Facility”) with a bank or banks to be selected by KU (the “Bank”). The Current Facility would be a credit agreement designed to provide KU with immediately available funds with which to make payments with respect to any Variable Rate Refunding Bonds that have been tendered for purchase and not remarketed. The Current Facility is not expected to be pledged for the payment of the Variable Rate Refunding Bonds or to constitute security therefor. The Current Facility may consist in whole or in part of such liquidity facilities. Pursuant to the Current Facility, KU may be required to execute and deliver to the Bank a note evidencing KU’s obligations to the Bank under the Current Facility.

In order to obtain terms and conditions more favorable to KU than those provided in the Current Facility or to provide for additional liquidity or credit support to enhance the marketability of the Variable Rate Refunding Bonds, KU may desire to be able to replace the Current Facility with (or to initially use) one or more substitute liquidity support and/or Credit Support Facilities (the instrument providing the liquidity support and/or credit support and any subsequent replacement support facility thereof, including any replacement facility which replaces a replacement facility, is hereinafter referred to as a “Facility”) with one or more banks, insurance companies (including municipal bond insurance companies) or other financial institutions to be selected by KU from time to time (each such financial institution hereinafter

referred to as a “Facility Provider”). A Facility may be in the nature of a letter of credit, revolving credit agreement, standby credit agreement, bond purchase agreement, bond insurance or other similar arrangement designed to provide liquidity and/or credit support for the Variable Rate Refunding Bonds. It is contemplated that, in the event the Variable Rate Refunding Bonds are converted to bear interest at a fixed rate, the Current Facility (if not already replaced or terminated) or, if applicable, the Facility (unless earlier terminated) will be terminated in whole or in part following the date of conversion of such series of Variable Rate Refunding Bonds.

11. In connection with any Facility, KU may enter into one or more credit or similar agreements (“Credit Agreements”) with the Facility Provider or providers of such facility, which would contain the terms of reimbursement or payment to be made by KU to the subject Facility Providers for amounts advanced by the Facility Providers under the particular Facility. Depending on the exact nature of a Facility, KU may be required to execute and deliver to the subject Facility Provider a promissory note (each such note hereinafter referred to as a “Facility Note”) evidencing KU’s repayment obligations to the Facility Provider under the related Credit Agreement; and the Trustee under the Indenture for the Variable Rate Refunding Bonds may be authorized, upon the terms set forth in such Indenture and any Credit Agreement, to draw upon the Facility for the purpose of paying the purchase price of Variable Rate Refunding Bonds tendered or required to be tendered for purchase in accordance with the terms of the Indenture which are not remarketed by the remarketing agent as provided in the remarketing agreement and/or for the purpose of paying accrued interest on the Variable Rate Refunding Bonds when due and paying principal, whether at maturity, upon redemption, acceleration or otherwise.

12. In connection with the issuance of the Refunding Bonds, KU may enter into one or more interest rate hedging agreements (including an interest rate cap, swap, collar or similar agreement, collectively the “Hedging Facility”) with a bank or financial institution (the “Counter

Party”). The Hedging Facility would be an interest rate agreement designed to allow KU to actively manage and to limit its exposure to variable interest rates or to lower its overall borrowing costs on any fixed rate Refunding Bonds. The Hedging Facility will set forth the specific terms upon which KU will agree to pay the Counter Party payments and/or fees for limiting its exposure to interest rates or lowering its fixed rate borrowing costs, and the other terms and conditions of any rights or obligations thereunder.

The terms of each Facility, each Credit Agreement, each Facility Note and each Hedging Facility would be negotiated by KU with the respective Bank, Facility Provider or Counter Party and would be the most favorable terms that can be negotiated by KU. The aggregate outstanding principal amount of the obligations of KU at any time under the Loan Agreements, the Guaranties, and the Credit Facilities and related notes set forth in the immediately preceding sentence will not exceed the original aggregate principal amount of the Refunding Bonds (which will not exceed an aggregate principal amount of \$37,930,000) plus accrued but unpaid interest and premium, if any, on such bonds.

13. No contracts have been made for the disposition of any of the securities which KU proposes to issue, or for the proceeds of such sale.

14. Attached as Exhibit 4 to this Petition are copies of the pertinent sections of the official statements describing the redemption provisions for the Existing Bonds.

15. KU shall, as soon as reasonably practicable after the issuance of the Refunding Bonds referred to herein, file with the Tennessee Regulatory Authority a statement setting forth the date or dates of issuance of the securities, the price paid therefor, the interest rate(s) (and, if applicable, their method of determination), the purchasers, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

16. Exhibit 5 to this Petition contains KU's financial exhibit.

17. Exhibit 6 to this Petition is a certified copy of KU's Board of Directors resolution authorizing the issuance of the First Mortgage Bonds, the assumption of obligations under the Loan Agreements, the Guaranties and all transactions related thereto and discussed in this Petition.

18. Interest rates are at historically low levels. In order to take advantage of these levels and any further improvement of the capital markets, Petitioner plans for these securities to be issued as quickly as possible. Therefore, Petitioner respectfully requests that the Tennessee Regulatory Authority process this Petition as expeditiously as practicable to afford Petitioner maximum flexibility in connection with this refinancing.

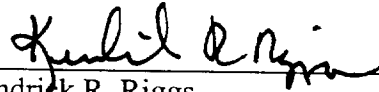
WHEREFORE, Kentucky Utilities Company respectfully requests that the Tennessee Regulatory Authority enter its Order, in the form of the Proposed Order attached as Exhibit 7, authorizing it to issue securities and to execute, deliver and perform the obligations of KU under the Loan Agreements, and any Guaranties, Remarketing Agreements, and Credit Agreements and the various Credit and Hedging Facilities and other documents and related notes set forth in this Petition. Kentucky Utilities Company further requests that the order of the Tennessee Regulatory Authority specifically include provisions stating:

1. KU is authorized to issue and deliver the new First Mortgage Bonds in an aggregate principal amount not to exceed \$37,930,000 in the manner set forth in its Petition.

2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the loan agreements with Carroll County, Kentucky, Muhlenberg County, Kentucky, and Mercer County, Kentucky, and under any guaranties, remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, credit agreements, and such other

agreements and documents as set out in its Petition, and to perform the transactions contemplated by such agreements.

Respectfully submitted,



Kendrick R. Riggs
John Wade Hendricks
Ogden Newell & Welch PLLC
1700 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
(502) 582-1601

Michael S. Beer
Vice President, Rates and Regulatory Affairs
Kentucky Utilities Company
220 West Main Street
Louisville, KY 40232

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LG&E Energy Corp.
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Louisville, KY 40202

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Waller Lansden Dortch & Davis
Nashville City Center
511 Union Street, Suite 2100
Nashville, TN 37219-8966
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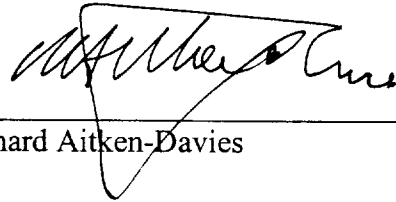
Of Counsel

VERIFICATION

COMMONWEALTH OF KENTUCKY

COUNTY OF JEFFERSON

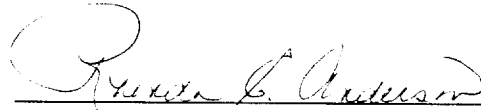
Richard Aitken-Davies being first duly sworn, deposes and says that he is Chief Financial Officer for Kentucky Utilities Company, that he has read the foregoing Petition and knows the contents thereof, and that the same is true of his own knowledge, except as to matters which are therein stated on the information or belief, and that as to these matters, he believes them to be true.



Richard Aitken-Davies

Subscribed and sworn before me this 22nd day of October, 2001.

My Commission Expires: *Aug. 31, 2003*



NOTARY PUBLIC, STATE AT LARGE

FORM OF PROPOSED ORDER

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE: PETITION OF KENTUCKY UTILITIES)
COMPANY FOR AN ORDER AUTHORIZING) DOCKET NO. 01-_____
THE ISSUANCE OF SECURITIES AND THE)
ASSUMPTION OF OBLIGATIONS)

ORDER

This matter is before the Tennessee Regulatory Authority ("Authority") upon the Petition of Kentucky Utilities Company ("KU"), filed October ____, 2001, for approval to issue one or more series of its First Mortgage Bonds in an aggregate principal amount not to exceed \$37,930,000 and to assume certain obligations in connection therewith, represented by loan agreements with Carroll County, Muhlenberg County and Mercer County, Kentucky, in connection with the Carroll County, Muhlenberg County and Mercer County Refunding Bonds, the proceeds of which will be loaned to KU. KU will use the proceeds of such bonds to provide refunding of the \$20,930,000 principal amount of County of Carroll, Kentucky Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project), 1992 Series B, the \$2,400,000 principal amount of County of Carroll, Kentucky Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project), 1992 Series C, the \$7,200,000 principal amount of County of Muhlenberg, Kentucky Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project), 1992 Series A, and the \$7,400,000 principal amount of County of Mercer, Kentucky Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project), 1992 Series A (all of the preceding the "Existing Bonds"). The proposed First Mortgage Bonds of KU will be used to secure and collateralize the Carroll

County, Muhlenberg County and Mercer County Refunding Bonds. KU also has requested authority to execute and deliver, as required, and to perform its obligations under, loan agreements with Carroll County, Muhlenberg County and Mercer County respectively and any guaranties, remarketing agreements and the various credit and hedging facilities, auction rate and other agreements, and notes as are set forth in the Petition and to perform the transactions contemplated by those agreements.

The Authority, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of the proposed First Mortgage Bonds and the Carroll County, Muhlenberg County and Mercer County Refunding Bonds and assumption of obligations in connection therewith as set out in KU's Petition will result in overall lower debt costs for KU and consequently the public, and is for lawful objects within the corporate purposes of KU's utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. KU is authorized to issue and deliver the new First Mortgage Bonds in an aggregate principal amount not to exceed \$37,930,000 in the manner set forth in its Petition.
2. KU is authorized to execute, deliver and perform the obligations of KU under, inter alia, the loan agreements with Carroll County, Muhlenberg County and Mercer County, Kentucky, and under any guaranties, remarketing agreements, hedging agreements, auction agreements, bond insurance agreements, credit agreements and facilities, and such other agreements and documents as set out in its Petition, and to perform the transactions contemplated by all of such agreements.

3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the Petition.

4. KU shall agree only to such terms and prices that are consistent with the parameters set out in its Petition.

5. KU shall, within 30 days from the date of issuance, file with this Authority a statement setting forth the date or dates of issuance, the price paid, the interest rate or rates, and all fees and expenses, including underwriting discounts or commissions or other compensations, involved in the issuance and distribution.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the State of Tennessee or any agency thereof as to the securities authorized herein.

ATTEST:

Executive Secretary

Chairman

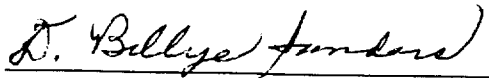
Director

Director

CERTIFICATE OF SERVICE

I hereby certify that on this 25th day of October, 2001, a true and correct copy of the foregoing Petition was served on the persons below by placing same in the U.S. mail, postage pre-paid:

Consumer Advocate and Protection Division
Office of Attorney General
Cordell Hull Building
426 5th Avenue North
Nashville, Tennessee 37243-0500



D. Billye Sanders

KENTUCKY UTILITIES COMPANY

A DESCRIPTION OF APPLICANT'S PROPERTY, INCLUDING A
STATEMENT OF THE NET ORIGINAL COST OF THE PROPERTY
AND THE COST THEREOF TO APPLICANT

AUGUST 31, 2001

The applicant owns and operates five coal fired steam electric generating stations having an estimated total effective capacity, with all equipment in service, of about 3,063,000 Kw; two hydroelectric generating stations having an estimated total effective capability of about 24,000 Kw; and nine gas/oil peaking units having an estimated total effective capability of about 942,000 Kw.

The applicant's owned electric transmission system includes 112 substations with a total capacity of approximately 14,855,396 Kva and approximately 4,227 structure miles of lines. The electric distribution system includes 437 substations with a total capacity of approximately 5,046,307 Kva, and 14,772 structure miles of overhead lines.

Other properties include office buildings, service centers, warehouses, garages, and other structures and equipment.

The net original cost of the property and cost thereof to the applicant at August 31, 2001, was:

	Utility Plant
Original Cost	
Intangible Plant	\$ 15,175,960
Production Plant	1,517,124,302
Transmission Plant	443,510,634
Distribution Plant	837,976,717
General Plant	74,853,975
Transportation Plant	27,289,007
Construction Work in Progress	110,279,035
Total Plant at Original Cost	\$ 3,026,209,630
Less Reserve for Depreciation	1,435,885,796
Net Original Cost	\$ 1,590,323,834

IN THE NAME AND BY THE AUTHORITY OF THE



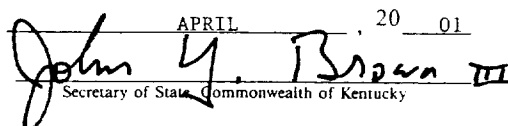
JOHN Y. BROWN III
SECRETARY OF STATE

CERTIFICATE

I, **JOHN Y. BROWN III**, Secretary of State for the Commonwealth of Kentucky, do certify that the foregoing writing has been carefully compared by me with the original record thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of **AMENDED AND RESTATED ARTICLES OF**
KENTUCKY UTILITIES COMPANY FILED DECEMBER 14, 1993.

IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal.

Done at Frankfort this 20TH day of

APRIL, 2001

Secretary of State, Commonwealth of Kentucky

RP

#28497

ARTICLES OF AMENDMENT
TO
AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
KENTUCKY UTILITIES COMPANY

RECORDED & FILED

\$46.00

DEC 14 4 20 PM '93

To the Secretary of State of Kentucky and the State Corporation
Commission of Virginia (the "Commission"):

Pursuant to the provisions of Chapter 271B of the
Kentucky Revised Statutes and Title 13.1 of the Code of Virginia,
the undersigned corporation hereby amends its Articles of
Incorporation, and for that purpose, submits the following
statements:

1. The name of the corporation is KENTUCKY UTILITIES
COMPANY.

2. The board of directors, acting on behalf of the
corporation, duly adopted the following amendment (the
"Amendment") to its Amended and Restated Articles of
Incorporation (the "Articles") determining the terms of a
series of Preferred Stock in accordance with authority
granted to the board by the Articles. The Amendment adds
new paragraph (12) to Division I of Article FIFTH of
Articles as follows: 78537

(12)(a) An additional series of the Preferred Stock
of the corporation, consisting of 200,000 shares, is
hereby created and established out of the authorized
and unissued shares of the Preferred Stock, without par
value, of the corporation; said shares, and each share
thereof, shall be designated "6.53% Preferred Stock";
the stated value of each share of said series shall be
\$100 and all of said 200,000 shares of said series are
hereby authorized to be issued by the corporation.

(b) The rate of dividend per annum payable in respect
of each share of said series shall be 6.53% of the
stated value of each such share, and dividends on the
shares of said series at said rate per annum shall be
computed on the basis of a 360-day year consisting of
30-day months, shall be payable on March 1, June 1,
September 1 and December 1 in each year commencing on
March 1, 1994, and shall be cumulative from and
including the date of issuance.

(c) The shares of said series are not redeemable prior
to December 1, 2003. On and after December 1, 2003 the
shares of said series shall be subject to redemption at
the option of the corporation, in whole at any time or
in part from time to time, upon the notice and in the
manner provided in paragraph (4) of Division I of
Article FIFTH of the Articles, at the applicable

redemption price per share set forth below, plus, in each case, an amount equal to accrued and unpaid dividends to the date of redemption.

<u>Redemption Dates</u> <u>(inclusive)</u>	<u>Redemption</u> <u>Price Per Share</u>
December 1, 2003 through November 30, 2004	\$ 103.265
December 1, 2004 through November 30, 2005	\$ 102.939
December 1, 2005 through November 30, 2006	\$ 102.612
December 1, 2006 through November 30, 2007	\$ 102.286
December 1, 2007 through November 30, 2008	\$ 101.959
December 1, 2008 through November 30, 2009	\$ 101.633
December 1, 2009 through November 30, 2010	\$ 101.306
December 1, 2010 through November 30, 2011	\$ 100.980
December 1, 2011 through November 30, 2012	\$ 100.653
December 1, 2012 through November 30, 2013	\$ 100.327
December 1, 2013 and thereafter	\$100.00

(d) The shares of said series shall be subject to all the terms, provisions and restrictions set forth in the Articles with respect to shares of the Preferred Stock of the Company and, except only as to the rate of dividend per annum payable in respect of the shares of said series, the redemption price and the terms and conditions of redemption applicable to the shares of said series, and except as otherwise provided in the Articles, the shares of said series shall have the same relative rights and preferences as, shall be of equal rank with, and shall confer rights equal to those conferred by, all other shares of the Preferred Stock of the corporation. All shares of said series redeemed and retired pursuant to the provisions of this paragraph (12), and all shares of said series purchased or otherwise acquired and retired by the corporation, shall be cancelled, shall not be reissued as shares of said series and shall constitute authorized and unissued shares of the Preferred Stock of the corporation; and, so long as any shares of said series are outstanding, the corporation shall not issue any of its authorized and unissued shares of Preferred Stock as additional shares of said series. Each notice of redemption of shares of said series to be redeemed pursuant to the provisions of this paragraph (12) shall

state that the redemption shall be of shares of said series, the date and place of redemption, the redemption price and the number of shares held by such holder to be redeemed.

3. The Amendment was adopted on December 13, 1993.

4. The Amendment, and the certificate related thereto issued by the Commission, shall be effective on December 21, 1993.

5. The Amendment was only adopted by the Board of directors of the corporation without shareholder approval pursuant to Section 271A.6-020 of the Kentucky Revised Statutes and Section 13.1-630 of the Code of Virginia, and shareholder action was not required.

Dated: December 14, 1993

KENTUCKY UTILITIES COMPANY


Chairman and President

STATE OF KENTUCKY
COUNTY OF FAYETTE SS.

I, the undersigned, a Notary Public in and for the State and County aforesaid, do hereby certify that on this 14th day of December, 1993, personally appeared before me John T. Newton, who being by me first duly sworn declared that he is Chairman and President of Kentucky Utilities Company, that he signed the foregoing Amended and Restate Articles of Incorporation of Kentucky Utilities Company, and that the statements therein contained are true.

WITNESS my signature this 14th day of December, 1993.

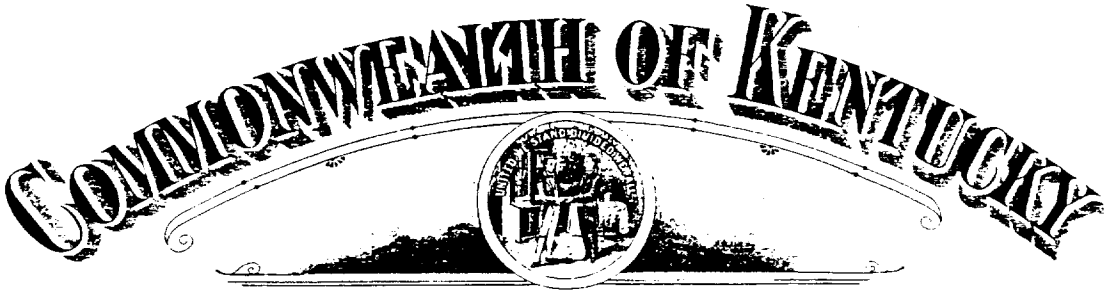


George S. Brooks II
Notary Public, State at Large, Kentucky
My commission expires January 19, 1997

The foregoing instrument was
prepared by George S. Brooks II,
One Quality Street, Lexington, Kentucky 40507


George S. Brooks II

IN THE NAME AND BY THE AUTHORITY OF THE



JOHN Y. BROWN III
SECRETARY OF STATE

CERTIFICATE

I, **JOHN Y. BROWN III**, Secretary of State for the Commonwealth of Kentucky, do certify that the foregoing writing has been carefully compared by me with the original record thereof, now in my official custody as Secretary of State and remaining on file in my office, and found to be a true and correct copy of **AMENDED AND RESTATED ARTICLES OF KENTUCKY UTILITIES COMPANY FILED OCTOBER 28, 1992.**

IN WITNESS WHEREOF, I have hereunto
set my hand and affixed my official seal.

Done at Frankfort this 17TH day of

APRIL, 20 01
John Y. Brown III
Secretary of State, Commonwealth of Kentucky

RP

28494-A

RECEIVED & FILED

Oct 28 3 00 PM '92

ROD PARFICE
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY

AMENDED AND RESTATED ARTICLES OF INCORPORATION

OF

KENTUCKY UTILITIES COMPANY

28494 - gld

691881

October, 1992

CELESTIAL

AMENDED AND RESTATED ARTICLES OF INCORPORATION
OF
Kentucky Utilities Company

The undersigned, **KENTUCKY UTILITIES COMPANY**, a Kentucky corporation and a Virginia corporation (the "corporation"), by John T. Newton, its Chairman and President, hereby certifies as follows:

1. The name of the corporation is **Kentucky Utilities Company**.
2. The following restatement contains no amendment requiring shareholder approval. By resolution duly adopted by the Board of Directors of the corporation at a meeting thereof duly held on October 26, 1992, the following restatement of the Amended and Restated Articles of Incorporation of the corporation, as theretofore amended, was adopted.
3. The following Amended and Restated Articles of Incorporation of the corporation (a) set forth all of the operative provisions of the Articles of Incorporation of the corporation, as amended through the date of said meeting of the Board of Directors of the corporation, (b) correctly set forth without change the corresponding provisions of the Articles of Incorporation of the corporation, as so amended, and (c) supersede the original Articles of Incorporation of the corporation and all amendments thereto and restatements thereof through the date of said meeting of the Board of Directors of the corporation.
4. The Amended and Restated Articles of Incorporation of the corporation shall read as follows:

Amended and Restated Articles of Incorporation

FIRST: The name of the corporation is **KENTUCKY UTILITIES COMPANY**.

SECOND: The address of the registered office of the corporation in Kentucky and the name of the resident agent of the corporation at that address are on file with the Kentucky Secretary of State. The address of the registered office of the corporation in Virginia is 5511 Staples Mill Road, Richmond, Virginia 23228. The name of the initial registered agent at that address is Edward R. Parker, who is a resident of Virginia and a member of the Virginia State Bar.

THIRD: The purpose for which the corporation is organized is to engage, directly or through ownership of other corporations, partnerships, joint ventures or other entities, in the transaction of any and all lawful business for which corporations may be incorporated under the Kentucky Business Corporation Act, and except as modified by Article Fourth hereof, the Virginia Stock Corporation Act.

FOURTH: In limitation of the foregoing Article Third, the corporation shall, in Virginia, conduct the business of an electric utility as a public service company and it shall have power to conduct, in Virginia, other public service business or non-public service business so far as may be related to or incidental to its stated business as a public service company and in any other state such business as may be authorized or permitted by the laws thereof. Nothing in this Article Fourth shall limit the power of the corporation in respect of the securities of other corporations.

FIFTH: The aggregate number of shares of stock which the corporation shall have authority to issue is Eighty-seven Million Three Hundred Thousand (87,300,000) shares, divided into and consisting of (A) Five Million Three Hundred Thousand (5,300,000) shares of Preferred Stock without par value but with a maximum aggregate stated value of \$200,000,000, issuable in one or more series as hereinafter provided, (B) Two Million (2,000,000) shares of Preference Stock without par value issuable in one or more series as hereinafter provided, and (C) Eighty Million (80,000,000) shares of Common Stock without par value. The 5,300,000 shares of authorized Preferred Stock are hereinafter referred to as the "Preferred Stock" and shall include the 200,000 shares of "4 1/4% Preferred Stock" and the 200,000 shares of "7.84% Preferred Stock" of the corporation now outstanding.

A description of the respective classes of shares of the corporation, and a statement of the designations, powers, preferences and rights and the qualifications, limitations and restrictions granted to or imposed upon the shares of each class, are as follows:

I. PROVISIONS RELATING TO THE PREFERRED STOCK

(1) The authorized Preferred Stock may be issued in one or more series as hereinafter provided; and the 200,000 shares of 4 1/4% Preferred Stock now outstanding shall constitute a series of the Preferred Stock and shall be known as the "4 1/4% Preferred Stock (stated value \$100 per share)", the 200,000 shares of 7.84% Preferred Stock now outstanding shall constitute a series of the Preferred Stock and shall be known as the "7.84% Preferred Stock (stated value \$100 per share)". The remainder of the shares of the authorized Preferred Stock, and all shares of the Preferred Stock at any time having the status of authorized and unissued shares of Preferred Stock, may be issued as shares of any series now outstanding or may be issued in one or more other series with such stated values, such rates of dividend (which shall be stated in the designation of the shares of each such series), such redemption price or prices and terms and conditions, and such sinking fund provisions, if any, for the redemption or purchase of shares, determined and fixed by the Board of Directors of the corporation in the manner provided by law, as the Board of Directors shall from time to time authorize. Authority is hereby expressly granted to and vested in the Board of Directors of the corporation, by resolution, to divide any of the authorized and unissued shares of the Preferred Stock into one or more series and to determine and fix the relative rights and preferences of the shares of any such series, the number of shares and the rate of dividend to be borne by the shares of each such series, the price or prices at which, and the terms and conditions on which, shares of each such series may be redeemed, and the sinking fund provisions, if any, for the redemption or purchase of shares of each such series, and to change redeemed or re-acquired shares of any such series into shares of another series, subject, however, to such restrictions and limitations as are, or may be, from time to time provided by law or contained in the Articles of Incorporation of the corporation or amendments thereto. The stated value of the share of each series of Preferred Stock shall be fixed by the Board of Directors of the corporation in the resolution establishing such series. Shares of any series of Preferred Stock may not be issued for a consideration less than the aggregate stated value thereof.

All shares of the Preferred Stock, regardless of designation, shall constitute one class of stock, shall be of equal rank and shall confer equal rights on the holders thereof, except only as to the stated values thereof, the rates of dividends thereon, the redemption prices and terms and conditions thereof, and the sinking fund provisions, if any, for the redemption or purchase thereof and except also, but only in respect of the 4 1/4% Preferred Stock, as otherwise provided in paragraph (11) of this Division I. All shares of the Preferred Stock of the same stated value per share at any time outstanding which bear the same dividend rate shall constitute one series of the Preferred Stock; and all shares of any one series of Preferred Stock shall be alike in all respects.

(2) The holders of the Preferred Stock shall be entitled to receive, in respect of each share held, dividends upon the stated value thereof at the annual rate specified in the designation of such share, and no more, payable quarter-yearly on March 1, June 1, September 1 and December 1 in each year, or on such other dates in each year as may be fixed by the Board of Directors of the corporation, but only when and as declared by the Board of Directors out of the surplus or net profits of the corporation available for the payment of dividends. Dividends on shares of the Preferred Stock shall be cumulative from and including the date of issue thereof, and shall be paid, or declared and set apart for payment, before any dividends shall be declared or paid on or set apart for the Preferred Stock or the Common Stock; so that if for any past dividend period or the then current dividend period dividends on the Preferred Stock shall not have been paid, or declared and set apart for payment, the deficiency shall be fully paid or declared and funds set apart for the payment thereof before any dividends shall be declared or paid on or set apart for the Preferred Stock or the Common Stock. No dividend shall at any time be paid on or set apart for any share of the Preferred Stock unless at the same time there shall be paid on

or set apart for all shares of the Preferred Stock then outstanding dividends in such amount that the holders of all shares of the Preferred Stock then outstanding shall receive or have set apart for them a uniform percentage of the full annual dividend to which they are, respectively, entitled. The term "dividend period," as used herein, refers to each period of three consecutive calendar months ending on the day next preceding each date on which dividends, if declared, shall be payable. When full cumulative dividends as aforesaid upon the Preferred Stock then outstanding for all past dividend periods and for the then current dividend period shall have been paid or declared and set apart for payment, the Board of Directors may declare dividends on the Preference Stock and the Common Stock of the corporation, subject to any other restrictions contained in the Articles of Incorporation.

In addition to the provisions of the second and fifth sentences of the preceding paragraph of this paragraph (2) with respect to the declaration by the Board of Directors of dividends on the Preference Stock and the Common Stock and the payment of any such dividends, it shall also be a condition precedent to the declaration by the Board of Directors of dividends on the Preference Stock or the Common Stock and the payment of any such dividends that all amounts required to be paid or set aside for any sinking fund for the redemption or purchase of shares of Preferred Stock of any series, with respect to all preceding sinking fund dates or periods, shall have been paid or set aside in accordance with the terms of the shares of such series. No funds shall be paid into or set aside for any sinking fund for the redemption or purchase of shares of Preferred Stock of any series unless all dividends on the Preferred Stock, for all past dividend periods, shall have been fully paid or declared and funds set apart for the payment thereof.

(3) Upon the dissolution, liquidation or winding up of the corporation, the holders of shares of the Preferred Stock shall be entitled, before any amount shall be paid to the holders of shares of the Preference Stock or the Common Stock, to be paid in full out of the net assets of the corporation, (i) the stated value of their shares of Preferred Stock plus an amount equal to the accrued dividends on such shares, if such dissolution, liquidation or winding up shall be involuntary, and (ii) the then current redemption price of their shares of Preferred Stock (accrued dividends thereon to be computed to the date of distribution) if such dissolution, liquidation or winding up shall be voluntary. After such payment in full to the holders of shares of the Preferred Stock, the remaining assets and profits shall be divided among and paid to the holders of shares of the Preference Stock and to the holders of shares of the Common Stock, as hereinafter provided.

(4) The corporation, on the sole authority of its Board of Directors, shall have the right at any time or from time to time to redeem and retire all or any part of the shares of Preferred Stock, or all or any part of the shares of any one or more series of the Preferred Stock, upon and by the payment to the holders of the shares to be redeemed or upon and by depositing as hereinafter provided for the benefit of such holders, the then applicable redemption price of the shares to be redeemed, which (a) in case of the shares of the 4¼% Preferred Stock shall be \$101 per share plus accrued dividends to the date of redemption, (b) in case of the shares of the 7.84% Preferred Stock shall be \$107.38 per share plus accrued dividends to the date of redemption if such date of redemption is on or subsequent to September 1, 1977, and prior to September 1, 1982, \$105.42 per share plus accrued dividends to the date of redemption if such date of redemption is on or subsequent to September 1, 1982, and prior to September 1, 1987, and \$101.50 per share plus accrued dividends to the date of redemption if such date of redemption is on or subsequent to September 1, 1987. It shall be a condition of any redemption pursuant to this paragraph (4) that the corporation shall, not less than thirty (30) days previous to the date fixed for redemption, give notice of the intention of the corporation to redeem such shares, specifying the shares to be redeemed and the date and place of redemption, which notice shall be deposited in a United States post office or mail box at any place in the United States addressed to each holder of record of the shares to be redeemed at his address as the same appears upon the records of the corporation; but in mailing such notice of redemption unintentional omissions or errors in names or addresses shall not impair the validity of such notice. In every case of the redemption of less than all of the outstanding shares of any series of the Preferred Stock, the shares of such series to be redeemed shall be chosen by protraction (so far as may be

without resulting in the issuance of fractional shares), by lot or in such other equitable manner as may be prescribed by resolution of the Board of Directors. The corporation may deposit with a bank or trust company, which shall be named in the notice of redemption, shall be located in New York, New York, or in Chicago, Illinois or in Louisville, Kentucky, and shall then have capital, surplus and undivided profits of at least \$1,000,000, the aggregate redemption price of the shares to be redeemed, in trust for the payment on or before the redemption date to or upon the order of the holders of such shares, upon surrender of the certificates for such shares. Such deposit in trust may, at the option of the corporation, be upon terms whereby in case the holder of any of the shares called for redemption shall not, within ten (10) years after the date fixed for the redemption of such shares, claim the amount on deposit with any such bank or trust company for the payment of the redemption price of said shares, such bank or trust company shall on demand pay to or upon the written order of the corporation or its successors the amount so deposited, and thereupon such bank or trust company shall be released from any and all further liability with respect to the payment of such redemption price and the holder of said shares shall be entitled to look only to the corporation or its successor for the payment thereof. Upon the giving of notice of redemption and upon the deposit of the redemption price, as aforesaid, or if no such deposit is made, upon the redemption date (unless the corporation defaults in making payment of the redemption price as set forth in such notice), such holders shall cease to be stockholders of the corporation with respect to said shares, and from and after the making of said deposit and the giving of said notice, or, if no such deposit is made, after the redemption date (the corporation not having defaulted in making payment of the redemption price as set forth in said notice), said shares shall no longer be transferable on the books of the corporation, and said holders shall have no interest in or claim against the corporation with respect to said shares, but shall be entitled only to receive said moneys on the date fixed for redemption, as aforesaid, from such bank or trust company, or from the corporation, without interest thereon, upon surrender of the certificates therefor as aforesaid.

The term "accrued dividends," as used herein, shall be deemed to mean, in respect of any share of the Preferred Stock as of any given date, the amount of dividends payable on such shares, computed, at the annual dividend rate fixed for such share, from the date on which dividends thereon became cumulative to and including such given date, less the aggregate amount of all dividends which have been paid or which have been declared and set apart for payment on such share. Accumulations of dividends shall not bear interest.

Nothing herein contained shall limit any legal right of the corporation to purchase any shares of the Preferred Stock.

(5) So long as any shares of the Preferred Stock of any series are outstanding, the corporation [except as otherwise provided in the last sentence of this paragraph (5)] shall not, without the affirmative vote of the record holders of shares of the Preferred Stock of all series at the time outstanding having in the aggregate a number of votes, calculated as provided in paragraph (2) of Division IV, at least equal to two-thirds of the total number of votes, as so calculated, possessed by all such holders:

(a) Amend the provisions of the Articles of Incorporation so as to create or authorize any stock ranking prior in any respect to the Preferred Stock or any security convertible into shares of such stock; or issue any such stock or convertible security; or

(b) Change, by amendment to the Articles of Incorporation, or otherwise, the terms and provisions of the Preferred Stock so as to affect adversely the rights and preferences of the holders thereof; provided, however, that if any such change will affect adversely the holders of one or more, but less than all, of the series of Preferred Stock at the time outstanding, there shall be required the vote only of the holders of shares of the series so adversely affected at the time outstanding having in the aggregate a number of votes, calculated as provided in paragraph (2) of Division IV, at least equal to two-thirds of the total number of votes, as so calculated, possessed by all such holders of such series; or

(c) Issue any shares of Preferred Stock, or shares of any stock ranking on a parity with the Preferred Stock, or any securities convertible into shares of such stock, other than in exchange for, or for the purpose of effecting the redemption or other retirement of, shares of Preferred Stock, or of any stock ranking prior thereto or on a parity therewith, or both, at the time outstanding having an aggregate amount of par or stated value of not less than the aggregate amount of par or stated value of the shares to be issued, unless

(i) the net income of the corporation (determined in accordance with generally accepted accounting principles) plus all amounts representing interest charges and all amounts for or in respect of taxes based on or measured by income shall, for a period of twelve consecutive calendar months within the fifteen calendar months next preceding the issue of such shares, have been at least one and one-half (1½) times the sum of (x) the interest for one year, adjusted by provision for amortization of debt discount and expense or of premium, as the case may be, on all funded indebtedness and notes payable of the corporation maturing more than twelve months after the date of issue of such shares or convertible securities which shall be outstanding at the date of the issue of said shares or convertible securities, and (y) an amount equal to the dividend requirement for one year on all shares of the Preferred Stock of all series and on all other shares of stock, if any, ranking prior to or on a parity with the Preferred Stock, which shall be outstanding after the issue of the shares or convertible securities proposed to be issued; and

(ii) the capital represented by the Common Stock plus the surplus accounts of the corporation shall be not less than the aggregate amount payable on the involuntary dissolution, liquidation or winding up of the corporation, in respect of all shares of the Preferred Stock of all series and all shares of stock, if any, ranking prior thereto, or on a parity therewith, which shall be outstanding after the issue of the shares or convertible securities proposed to be issued.

No consent of the holders of the Preferred Stock shall be required in respect of any transaction enumerated in this paragraph (5) if, at or prior to the time when such transaction is to take effect, provision is made for the redemption or other retirement of all shares of the Preferred Stock at the time outstanding, the affirmative vote of which would otherwise be required hereunder.

(6) So long as any shares of the Preferred Stock of any series are outstanding, the corporation [except as otherwise provided in the last sentence of this paragraph (6)] shall not, without the affirmative vote of the record holders of shares of the Preferred Stock of all series at the time outstanding having in the aggregate a number of votes, calculated as provided in paragraph (2) of Division IV, at least equal to a majority of the total number of votes, as so calculated, possessed by all such holders:

(a) Issue or assume any unsecured indebtedness (as hereinafter defined) for any purpose, other than the refunding of secured or unsecured indebtedness theretofore created or assumed by the corporation and then outstanding or the retiring, by redemption or otherwise, of shares of the Preferred Stock or shares of any stock ranking prior thereto or on a parity therewith, if immediately after such issue or assumption the total principal amount of all unsecured indebtedness issued or assumed by the corporation and then outstanding would exceed twenty-five per centum (25%) of the aggregate of (i) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the corporation and then outstanding and (ii) the total of the capital and surplus of the corporation, as then recorded on its books; or

(b) Merge or consolidate with any other corporation or corporations, or sell or lease all or substantially all of the assets of the corporation, unless such merger, consolidation or sale or lease or the issue or assumption of all securities to be issued or assumed in connection therewith shall have been ordered, approved or permitted by all regulatory bodies, federal and state, then having jurisdiction in the premises.

"Unsecured indebtedness" as the term is used in this paragraph (6) shall mean all unsecured notes, debentures or other securities representing unsecured indebtedness (whether having a single maturity,

serial maturities or sinking fund or other similar periodic principal or debt retirement payment provisions) which have a final maturity date, determined as of the date of issuance or assumption thereof by the corporation, of less than three years. No consent of the holders of the Preferred Stock shall be required in respect to any transaction enumerated in this paragraph (6) if, at or prior to the time when such transaction is to take effect, provision is made for the redemption or other retirement of all shares of the Preferred Stock at the time outstanding, the affirmative vote of which would otherwise be required hereunder.

(7) No provision contained in the foregoing paragraphs (5) and (6) is intended or shall be construed to relieve the corporation from compliance with any applicable statutory provision requiring the vote or consent of a greater number of the holders of the outstanding shares of the Preferred Stock.

(8) So long as any shares of the Preferred Stock are outstanding, the corporation shall not pay any dividends on its Common Stock (other than dividends payable in Common Stock) or make any distribution on or purchase or otherwise acquire for value any of its Common Stock (each such payment, distribution, purchase and/or acquisition being herein referred to as a "Common Stock dividend"), except to the extent permitted by the following provisions of this paragraph (8):

(a) No Common Stock dividend shall be declared or paid in an amount which, together with all other Common Stock dividends declared in the year ending on (and including) the date of the declaration of such Common Stock dividend, would in the aggregate exceed fifty per centum (50%) of the net income of the corporation available for dividends on its Common Stock for the twelve consecutive calendar months ending on the last day of the calendar month next preceding the declaration of such Common Stock dividend. If at the end of such calendar month the ratio (herein referred to as the "capitalization ratio") of the Common Stock equity (as hereinafter defined) of the corporation, to the total capital (as hereinafter defined) of the corporation shall be less than twenty per centum (20%).

(b) If such capitalization ratio, determined as aforesaid, shall be twenty per centum (20%) or more, but less than twenty-five per centum (25%), no Common Stock dividend shall be declared or paid in an amount which, together with all other Common Stock dividends declared in the year ending on (and including) the date of the declaration of such Common Stock dividend, would exceed seventy-five per centum (75%) of the net income of the corporation available for dividends on its Common Stock for the twelve consecutive calendar months ending on the last day of the calendar month next preceding the declaration of such Common Stock dividend.

(c) If such capitalization ratio, determined as aforesaid, shall be twenty-five per centum (25%) or more, no Common Stock dividend shall be declared or paid which would reduce such capitalization ratio to less than twenty-five per centum (25%), except to the extent permitted by the next preceding paragraphs (a) and (b) hereof.

"Common Stock equity," as that term is used in this paragraph, shall consist of the sum of (1) the capital represented by the issued and outstanding shares of Common Stock (including premiums on Common Stock) and (2) the surplus accounts of the corporation, less (i) any known, or estimated if not known, excess of the value, as recorded on the corporation's books, over the original cost, of used and useful utility plant and other property, unless (a) such excess is being amortized or provided for by reserves, or (b) such excess has been held, by final order of a court having jurisdiction or of the regulatory bodies having jurisdiction, to constitute an asset which need not be amortized or provided for by reserves, and (ii) any excess of the aggregate amount payable on the involuntary dissolution, liquidation, or winding up of the corporation, in respect of its outstanding shares of preference stocks of all classes over the aggregate par value of, or if without par value over the capital represented by, such preference stocks unless such excess is being amortized or provided for by reserves, and (iii) any items such as debt discount, premium and expense, capital stock discount and expense and similar items, classified as assets on the balance sheet of the corporation, unless such items are being amortized or provided for by reserves. The "total capital of the corporation" shall consist of the sum of (i) the principal amount of all

outstanding indebtedness of the corporation maturing one year or more after the date of the issue thereof and (ii) the par value of, or if without par value the capital represented by, all outstanding shares of capital stock (including premiums on capital stock) of all classes of the corporation, and (iii) the surplus accounts of the corporation. The term "net income of the corporation available for dividends on its Common Stock" for any period shall be determined by deducting from the sum of the operating revenues and income from investments and other miscellaneous income for such period, all operating expenses for such period, including maintenance and provision for depreciation as recorded on the books of the corporation (but not less than an amount equal to fifteen per centum (15%) of the gross operating revenues of the corporation less the cost of electric energy, gas and ice purchased for resale, during such period), income and excess profits and other taxes, all proper accruals, interest charges, amortization charges, other proper income deductions and all dividends paid or accrued on all outstanding shares of stock of the corporation having a preference as to dividends over the Common Stock for such period, all as shall be determined in accordance with such system of accounts as may be prescribed by regulatory authorities having jurisdiction in the premises or, in the absence thereof, in accordance with sound accounting practices. All indebtedness and capital stock of the corporation owned by the corporation shall be excluded in determining total capital. Purchases or other acquisition of Common Stock shall be deemed, for the purposes of this paragraph (8), to constitute a Common Stock dividend declared as of the date on which such purchases or acquisitions are consummated.

(9) No shares of preference stocks or evidence of indebtedness shall be deemed to be "outstanding", as that term is used in the preceding paragraphs (5), (6) and (8) of this Division I, if, prior to or concurrently with the event in reference to which a determination as to the amount thereof outstanding is to be made, the requisite funds for the redemption thereof shall be deposited in trust for that purpose and the requisite notice for the redemption thereof shall be given or the depository of such funds shall be irrevocably authorized and directed to give or complete such notice of redemption.

(10) No holder of the Preferred Stock, as such, shall have any preemptive right to subscribe to stock or other securities of the corporation, of any class, whether now or hereafter authorized.

(11) Notwithstanding anything to the contrary contained in paragraph (2), each holder of shares of the 4¼% Preferred Stock shall be entitled to reimbursement by the corporation for the amount of any personal property tax, not exceeding in the aggregate four mills per annum on each dollar of taxable value of each share of such stock owned by such holder, which may be legally assessed by the Commonwealth of Pennsylvania or any taxing authority therein upon each share of such stock held of record at the time of assessment of such tax thereon, or upon such holder by reason of his ownership thereof, and actually paid by such holder; provided that application for such reimbursement shall be made by such holder to the corporation at its office or agency in the City of Lexington, Kentucky, not later than 120 days after such tax shall have been paid, and that such application shall set forth the record ownership, at the time of such assessment of such shares of stock with respect to which such tax has been paid, the amount (exclusive of penalty and interest) of such tax actually paid by such holder, the due date thereof, and the tax year for which paid, together with the number or numbers of the certificate or certificates representing such stock, the residence of the applicant at the time such tax was assessed, and that such tax was assessed and was paid by him because of his ownership of such stock, and such further facts with respect to the legal liability of such holder to pay such tax as the corporation may reasonably require. The corporation shall in no event be liable to reimburse such holder for any interest or penalty assessed or accrued upon or paid by him in addition to the amount of such tax as originally assessed. No deduction from any dividend or other distribution declared or paid upon any such shares of such stock shall be made on account of such reimbursement made by the corporation with respect to any such tax.

II. PROVISIONS RELATING TO THE PREFERENCE STOCK

(1) The shares of the authorized Preference Stock, and all shares of the Preference Stock at any time having the status of authorized and unissued shares of Preference Stock, may be issued in one or

more series with (a) such stated values, (b) such rates of dividend (which shall be stated in the designation of the shares of each such series), (c) such redemption price or prices and terms and conditions, (d) such sinking fund provisions, if any, for the redemption or purchase of shares, (e) such amounts payable upon the voluntary or involuntary dissolution, liquidation or winding up of the corporation and (f) such terms and conditions, if any, regarding the conversion of shares into shares of Common Stock, determined and fixed by the Board of Directors of the corporation in the manner provided by law, as the Board of Directors shall from time to time authorize. Authority is hereby expressly granted to and vested in the Board of Directors of the corporation, by resolution, to divide any authorized and unissued shares of the Preference Stock into one or more series and to determine and fix by resolution the relative rights and preferences of the shares of any such series, the number of shares of each such series and the provisions with respect to the shares of such series as set forth in items (a) through (f) above and to change redeemed or re-acquired shares of any such series into shares of another series, subject, however, to such restrictions and limitations as are, or may be, from time to time provided by law or contained in the Articles of Incorporation of the corporation or amendments thereto. The stated value of the shares of each series of Preference Stock shall be fixed by the Board of Directors of the corporation in the resolution establishing each series. Shares of any series of Preference Stock may not be issued for a consideration less than the aggregate stated value thereof.

All shares of the Preference Stock, regardless of designation, shall constitute one class of stock, shall be of equal rank and shall confer equal rights on the holders thereof, except only as to those provisions which the Articles of Incorporation authorize the Board of Directors of the corporation to fix by resolution. All shares of any one series of Preference Stock shall be alike in all respects.

(2) Subject to the preferential rights of the holders of the Preferred Stock with respect to the declaration and payment of dividends as set forth in paragraph (2) of Division I, subject to the provisions of the second grammatical paragraph of paragraph (2) of Division I and subject to the provisions of paragraph (8) of Division I, holders of the Preference Stock shall be entitled to receive, in respect of each share held, dividends upon the stated value thereof at the annual rate specified in the designation of such share, and no more, payable quarter-yearly on March 1, June 1, September 1 and December 1 in each year, or on such other dates in each year as may be fixed by the Board of Directors of the corporation, but only when and as declared by the Board of Directors out of the surplus or net profits of the corporation available for the payment of dividends. Dividends on shares of the Preference Stock shall be cumulative from and including the date of issue thereof, and shall be paid, or declared and set apart for payment, before any dividends shall be declared or paid on or set apart for the Common Stock; so that if for any past dividend period or the then current dividend period dividends on the Preference Stock shall not have been paid, or declared and set apart for payment, the deficiency shall be fully paid or declared and funds set apart for the payment thereof before any dividends shall be declared or paid on or set apart for the Common Stock. No dividend shall at any time be paid on or set apart for any share of the Preference Stock unless at the same time there shall be paid on or set apart for all shares of the Preference Stock then outstanding dividends in such amount that the holders of all shares of Preference Stock then outstanding shall receive or have set apart for them a uniform percentage of the full annual dividend to which they are, respectively, entitled. The term "dividend period", as used herein, refers to each period of three consecutive calendar months ending on the day next preceding each date on which dividends, if declared, shall be payable. When full cumulative dividends as aforesaid upon the Preference Stock then outstanding for all past dividend periods and for the then current dividend period shall have been paid or declared and set apart for payment, the Board of Directors may declare dividends on the Common Stock of the corporation, subject to any other restrictions contained in the Articles of Incorporation.

In addition to the provisions of the second and fifth sentences of the preceding paragraph of this paragraph (2) with respect to the declaration by the Board of Directors of dividends on the Common Stock and the payment of any such dividends, it shall also be a condition precedent to the declaration by the Board of Directors of dividends on the Common Stock and the payment of any such dividends that

all amounts required to be paid or set aside for any sinking fund for the redemption or purchase of shares of Preference Stock of any series, with respect to all preceding sinking fund dates or periods, shall have been paid or set aside in accordance with the terms of the shares of such series. No funds shall be paid into or set aside for any sinking fund for the redemption or purchase of shares of Preference Stock of any series unless all dividends on the Preference Stock, for all past dividend periods, shall have been fully paid or declared and funds set apart for the payment thereof.

(3) Subject to the preferential rights of the holders of the Preferred Stock with respect to the payment of amounts upon the dissolution, liquidation or winding up of the corporation as set forth in paragraph (3) of Division I, upon the dissolution, liquidation or winding up of the corporation, whether voluntary or involuntary, the holders of shares of the Preference Stock of each series shall be entitled, before any amount shall be paid to the holders of shares of the Common Stock, to be paid in full out of the net assets of the corporation such amount or amounts per share as shall have been fixed for such series by the Board of Directors of the corporation as the voluntary or involuntary liquidation price, as the case may be, in the resolution establishing such series. After such payment in full to the holders of shares of the Preference Stock, the remaining assets and profits shall be divided among and paid to the holders of shares of the Common Stock.

(4) So long as any shares of the Preference Stock of any series are outstanding, the corporation [except as otherwise provided in the last sentence of this paragraph (4)] shall not, without the affirmative vote of the record holders of shares of the Preference Stock of all series at the time outstanding having in the aggregate a number of votes, calculated as provided in paragraph (2) of Division IV, at least equal to two-thirds of the total number of votes, as so calculated, possessed by all such holders:

(a) Amend the provisions of the Articles of Incorporation so as to create or authorize any stock of any class, other than the Preferred Stock, ranking prior in any respect to the Preference Stock or any security convertible into shares of stock of such class, other than the Preferred Stock; or

(b) Change, by amendment to the Articles of Incorporation, or otherwise, the terms and provisions of the Preference Stock so as to affect adversely the rights and preferences of the holders thereof; *provided, however*, that if any such change will affect adversely the holders of one or more, but less than all, of the series of Preference Stock at the time outstanding, there shall be required the vote only of the holders of shares of the series so adversely affected at the time outstanding having in the aggregate a number of votes, calculated as provided in paragraph (2) of Division IV, at least equal to two-thirds of the total number of votes, as so calculated, possessed by all such holders of such series.

No consent of the holders of the Preference Stock shall be required in respect of any transaction enumerated in this paragraph (4) if, at or prior to the time when such transaction is to take effect, provision is made for the redemption or other retirement of all shares of the Preference Stock at the time outstanding, the affirmative vote of which would otherwise be required hereunder.

(5) So long as any shares of the Preference Stock of any series are outstanding, the corporation [except as otherwise provided in the last sentence of this paragraph (5)] shall not, without the affirmative vote of the record holders of shares of the Preference Stock of all series at the time outstanding having in the aggregate a number of votes, calculated as provided in paragraph (2) of Division IV, at least equal to a majority of the total number of votes, as so calculated, possessed by all such holders, merge or consolidate with any other corporation or corporations, or sell or lease all or substantially all of the assets of the corporation; *provided, however*, that the foregoing restriction shall not apply to (i) a merger or consolidation of the corporation with or into, or the sale or lease of all or substantially all of the assets of the corporation to, any corporation 50% or more of the voting securities of which is owned by the corporation, directly or indirectly, or (ii) any merger, consolidation, sale or lease required by order or regulation of any regulatory body, federal or state, then having jurisdiction in the premises or which shall have been approved or permitted by all such regulatory bodies. No consent or vote of the holders of the Preference Stock shall be required in respect of any transaction enumerated in this paragraph (5) if, at or prior to the time when such transaction is to take effect, provision is made for the redemption or

other retirement of all shares of the Preference Stock at the time outstanding, the affirmative vote of which would otherwise be required hereunder.

(6) No provision contained in the foregoing paragraphs (4) and (5) is intended or shall be construed to relieve the corporation from compliance with any applicable statutory provision requiring the vote or consent of a greater number of the holders of the outstanding shares of the Preference Stock.

(7) No shares of Preference Stock shall be deemed to be "outstanding", as that term is used in the preceding paragraphs (4) and (5) of this Division II, if, prior to or concurrently with the event in reference to which a determination as to the amount thereof outstanding is to be made, the requisite funds for the redemption thereof shall have been deposited in trust for that purpose and the requisite notice for the redemption thereof shall have been given or the depository of such funds shall have been irrevocably authorized and directed to give or complete such notice of redemption.

(8) No holder of the Preference Stock, as such, shall have any preemptive right to subscribe to stock or other securities of the corporation, of any class, whether now or hereafter authorized.

III. PROVISIONS RELATING TO THE COMMON STOCK

No holder of the Common Stock, as such, shall have any preemptive right to subscribe to stock or other securities of the corporation, of any class, whether now or hereafter authorized.

IV. VOTING RIGHTS

The voting rights in respect of the shares of capital stock of the corporation shall be as follows:

(1) Shares of Common Stock of the corporation shall have full voting rights. Each shareholder of record of Common Stock entitled to vote on any matter shall be entitled to one vote on such matter for every share standing in his name on the books of the corporation, except that, in all elections for directors of the corporation, each holder of shares of Common Stock shall have the right to cast as many votes in the aggregate as he shall be entitled to vote thereon, multiplied by the number of directors to be elected at such election, and each such shareholder may cast the whole number of votes for one candidate or distribute those votes among two or more candidates.

(2) No holder of shares of the Preferred Stock, as such, shall be entitled to vote for the election of directors or in respect of any matter, except as provided in paragraph (5) or (6) of Division I or in paragraph (3) or (8) of this Division IV, or as may be required by law. No holder of shares of the Preference Stock, as such, shall be entitled to vote for the election of directors or in respect of any matter, except as provided in paragraph (4) or (5) of Division II or in paragraph (4) or (8) of this Division IV, or as may be required by law. In such excepted cases, each record holder of Preferred Stock shall have, for each share of Preferred Stock held by him, and each record holder of Preference Stock shall have, for each share of Preference Stock held by him, that number of votes (including any fractional vote) determined by dividing the stated value of such share by 100, except that, when holders of Preferred Stock are entitled to elect directors as provided in this Division IV, and when holders of Preference Stock are entitled to elect directors as provided in this Division IV, each holder of Preferred Stock and each holder of Preference Stock, as the case may be, shall have the right to cast the number of votes attributable to him as so computed multiplied by the number of directors to be so elected in such election by the Preferred Stock or the Preference Stock, as the case may be, and each such holder may cast the whole number of votes for one candidate or distribute those votes among two or more candidates.

(3) If and when dividends payable on the Preferred Stock shall be in default in an amount equivalent to four full quarter-yearly dividends on all shares of Preferred Stock then outstanding and until all dividends then in default on the Preferred Stock shall have been paid, the record holders of the shares of Preferred Stock, voting separately as one class, shall be entitled, at each meeting of the shareholders at which directors are elected, to elect the smallest number of directors necessary to

constitute a majority of the full Board of Directors, and the record holders of the shares of Common Stock, voting separately as a class, shall be entitled at any such meeting to elect the remaining directors of the corporation, subject to the special right of the holders of shares of Preference Stock to elect directors as provided in paragraph (4) of this Division IV, if then applicable. For the purpose of exercising the right of cumulative voting, the election by the record holders of shares of Preferred Stock of the number of directors which they are entitled to elect shall be considered one election, and the election by the record holders of shares of Common Stock of the number of directors which they are entitled to elect shall be considered another election. The term of office of each director of the corporation elected pursuant to the provisions of this paragraph (3) shall terminate upon the election of his successor. At each election of directors by a class vote pursuant to the provisions of this paragraph, the class first electing the directors which it is entitled to elect shall name the directors who are to be succeeded by the directors then elected by such class, whereupon the term of office of the directors so named shall terminate. The term of office of the directors not so named shall terminate upon the election by the other class of the directors which it is entitled to elect.

(4) If and when dividends payable on the Preference Stock shall be in default in an amount equivalent to four full quarter-yearly dividends on all shares of Preference Stock then outstanding and until all dividends then in default on the Preference Stock shall have been paid, the record holders of the shares of Preference Stock, voting separately as one class, shall be entitled, at each meeting of the shareholders at which directors are elected, to elect two directors, and the record holders of the shares of Common Stock, voting separately as a class, shall be entitled at any such meeting to elect the remaining directors of the corporation, subject to the special right of the holders of shares of Preferred Stock to elect directors as provided in paragraph (3) of this Division IV, if then applicable. For the purpose of exercising the right of cumulative voting, the election by the record holders of shares of Preference Stock of the number of directors which they are entitled to elect shall be considered one election, and the election by the record holders of shares of Common Stock of the number of directors which they are entitled to elect shall be considered a separate election. The term of office of each director of the corporation elected pursuant to the provisions of this paragraph (4) shall terminate upon the election of his successor. At each election of directors by a class vote of the Preference Stock or the Common Stock pursuant to the provisions of this paragraph, the class first electing the directors which it is entitled to elect shall name the directors who are to be succeeded by the directors then elected by such class, whereupon the term of office of the directors so named shall terminate. The term of office of the directors not so named shall terminate upon the election by the other class of the directors which it is entitled to elect.

(5) If and when all dividends in default on the Preferred Stock then outstanding shall be paid, the holders of the shares of the Preferred Stock shall thereupon be divested of the special right with respect to the election of directors provided in paragraph (3) of this Division IV, and the voting power of holders of shares of the Preferred Stock and the Common Stock shall revert to the status existing before the occurrence of such default, but always subject to the same provisions for vesting such special right in the Preferred Stock in case of further like default or defaults in dividends thereon and, in the case of the Common Stock, subject to the special right of the holders of shares of Preference Stock to elect directors as provided in paragraph (4) of this Division IV, if then applicable.

(6) If and when all dividends in default on the Preference Stock then outstanding shall be paid, the holders of the shares of the Preference Stock shall thereupon be divested of the special right with respect to the election of directors provided in paragraph (4) of this Division IV, and the voting power of holders of shares of the Preference Stock and the Common Stock shall revert to the status existing before the occurrence of such default, but always subject to the same provisions for vesting such special right in the Preference Stock in case of further like default or defaults in dividends thereon.

(7) Dividends shall be deemed to have been paid, as that term is used in paragraphs (3) and (4) of this Division IV, whenever such dividends shall have been declared and paid, or declared and provision made for the payment thereof, or whenever there shall be surplus and net profits of the corporation

legally available for the payment thereof which shall have accrued since the date of the default, giving rise to such special voting rights.

(8) In case of any vacancy in the Board of Directors occurring among the directors elected by the holders of the shares of the Preferred Stock, as a class, pursuant to paragraph (3) of this Division IV, the holders of the shares of the Preferred Stock then outstanding and entitled to vote may elect a successor to hold office for the unexpired term of the director whose place shall be vacant. In case of any vacancy in the Board of Directors occurring among the directors elected by the holders of the shares of the Preference Stock, as a class, pursuant to paragraph (4) of this Division IV, the holders of the shares of the Preference Stock then outstanding and entitled to vote may elect a successor to hold office for the unexpired term of the director whose place shall be vacant. In case of a vacancy in the Board of Directors occurring among the directors elected by the holders of the shares of the Common Stock, as a class, pursuant to paragraph (3) or (4) of this Division IV, the holders of the shares of the Common Stock then outstanding and entitled to vote may elect a successor to hold office for the unexpired term of the director whose place shall be vacant. In all other cases, any vacancy occurring among the directors shall be filled by the vote of a majority of the remaining directors.

(9) Whenever the holders of the shares of the Preferred Stock, as a class, become entitled to elect directors of the corporation pursuant to paragraph (3) or (6) of this Division IV, or whenever the holders of the shares of the Preference Stock, as a class, become entitled to elect directors of the corporation pursuant to paragraph (4) or (8) of this Division IV, or whenever the holders of the shares of the Common Stock, as a class, become entitled to elect directors of the corporation pursuant to paragraph (3), (4) or (8) of this Division IV, a special meeting of the holders of the shares of the Preferred Stock, of the holders of the shares of the Preference Stock or of the holders of the shares of the Common Stock, as the case may be, for the election of such directors, shall be held at any time thereafter upon call by the holders of not less than 1,000 shares of the Common Stock, shares of the Preferred Stock with an aggregate stated value of not less than \$100,000 or shares of the Preference Stock with an aggregate stated value of not less than \$100,000 as the case may be, or upon call by the Secretary of the corporation at the request in writing of any stockholder addressed to him at the principal office of the corporation. If no such special meeting be called or be requested to be called, the respective elections of the directors to be elected by the holders of the shares of the Preferred Stock, the Preference Stock, and the Common Stock, each voting as a class, shall take place at the next annual meeting of the stockholders of the corporation next succeeding the accrual of such special voting right. At all meetings of stockholders at which directors are elected during such time as the holders of shares of the Preferred Stock or the holders of shares of the Preference Stock shall have the special right, each voting separately as one class, to elect directors pursuant to this Division IV, the presence in person or by proxy of the holders of a majority of the outstanding shares of the Common Stock shall be required to constitute a quorum of such class for the election of directors, the presence in person or by proxy of the holders of that number of the outstanding shares of all series of the Preference Stock having a majority of the votes entitled to be cast by the Preference Stock at the meeting shall be required to constitute a quorum of such class for the election of directors, and the presence in person or by proxy of the holders of that number of the outstanding shares of all series of the Preferred Stock having a majority of the votes entitled to be cast by the Preferred Stock at the meeting shall be required to constitute a quorum of such class for the election of directors; provided, however, that the absence of a quorum of the holders of stock of any such class shall not prevent the election at any such meeting or adjournment thereof of directors by any other such class if the necessary quorum of the holders of stock of such class is present in person or by proxy at such meeting; and *provided further* that in the absence of a quorum of the holders of stock of any such class, the holders of the stock of such class who are present in person or by proxy shall have power upon the majority vote of those votes represented at the meeting to adjourn the election of the directors to be elected by such class from day to day without notice other than announcement at the meeting until the requisite number of votes of such class shall be represented by stockholders present in person or by proxy.

(10) Notwithstanding the provisions of Article Seventh and Article Eighth of the Articles of Incorporation of the corporation and any provisions of the By-laws of the corporation, during any period in which both holders of shares of Preferred Stock and holders of shares of Preference Stock, each voting separately as a class, shall have the special right to elect directors as provided in this Division IV, the number of directors constituting the full Board of Directors shall not be less than seven.

(11) In consideration of the issue by the corporation, and the purchase by the holders thereof, of shares of the capital stock of the corporation, each and every present and future holder of shares of the capital stock of the corporation shall be conclusively deemed, by acquiring or holding such shares, to have expressly consented to all and singular the terms and provisions of this Division IV and to have agreed that the voting rights of such holders and the restrictions and qualifications thereof shall be as set forth in the Articles of Incorporation of the corporation.

(12) No shares of Preferred Stock or Preference Stock shall be deemed to be "outstanding", as that term is used in this Division IV, if, prior to or concurrently with the event in reference to which a determination as to the amount thereof outstanding is to be made, the requisite funds for the redemption thereof shall be deposited in trust for that purpose and the requisite notice for the redemption thereof shall be given or the depository of such funds shall be irrevocably authorized and directed to give or complete such notice of redemption.

V. VOTE REQUIRED FOR CERTAIN ACTIONS

Except as otherwise provided in paragraphs (5) and (6) of Division I, in paragraphs (4) and (5) of Division II and paragraphs (3), (4) and (8) of Division IV, to the extent applicable law permits the Articles of Incorporation expressly to provide for a lesser vote than that otherwise provided by law to take any action for which a vote of shareholders is required, including, without limitation, approval of an amendment to the Articles of Incorporation of the corporation, a plan of merger or share exchange, a sale of all or substantially all of the assets of the corporation other than in the regular course of business or the dissolution of the corporation, such action or approval shall be, with respect to each voting group entitled to vote on the proposal, by a majority of all votes entitled to be cast. Shareholder approval shall not be required in connection with the creation or issuance of rights, options or warrants to purchase shares of the corporation to be issued to directors, officers or employees of the corporation or any subsidiary thereof, and not to shareholders generally, to the extent applicable law permits the Articles of Incorporation expressly to so provide.

SIXTH: The corporation shall begin business as soon as authorized, as provided by statute, and shall have perpetual duration.

SEVENTH: The affairs of the corporation shall be conducted by a Board of nine directors, or such other number of directors, not less than three, as shall from time to time be prescribed by the By-laws, who, except as otherwise provided in this Article Seventh, shall be elected at each annual meeting of the corporation on a day to be fixed in the By-laws, for a term expiring at the next succeeding annual meeting of the corporation. During such time as there are nine or more directors, and subject to the special rights of the holders of shares of the Preferred Stock and the holders of the shares of the Preference Stock to elect directors as provided in paragraphs (3), (4) and (8) of Division IV of Article Fifth and as specified in this Article Seventh, the directors shall be divided into three groups, as nearly equal in number as possible, and the term of office of the first group will expire at the 1991 annual meeting of the corporation, the term of office of the second group will expire at the 1992 annual meeting of the corporation and the term of office of the third group will expire at the 1993 annual meeting of the corporation, and at each annual meeting commencing with the 1991 annual meeting, directors elected to succeed those whose terms expire shall be elected for a term of office expiring at the third succeeding annual meeting of the corporation after their election or, in the event of a director elected to succeed a director elected to fill a vacancy, for a term expiring at the annual meeting at which the term of the director whose termination of office first created such vacancy would have expired. Notwithstanding the

preceding sentence, the term of office of all directors shall expire at the special or annual meeting of the corporation at which the holders of the shares of the Preferred Stock are entitled to elect directors as provided in paragraph (3) of Division IV of Article Fifth or the holders of the shares of the Preference Stock are entitled to elect directors as provided in paragraph (4) of Division IV of Article Fifth; and so long as the holders of the shares of either the Preferred Stock or the Preference Stock shall be entitled to such special voting rights in the election of directors, the directors shall be elected and the term of each director shall expire as provided in said Division IV of Article Fifth. At such time as the holders of the shares of the Preferred Stock and the holders of the shares of the Preference Stock no longer have the special right to elect directors as provided in paragraph (5) or (6) of Division IV of Article Fifth, the Board shall again be divided into three groups as provided in this Article Seventh, the term of office of the first group to expire at the first annual meeting after the meeting at which directors are again elected by the holders of shares of the Common Stock, the term of office of the second group to expire at the second annual meeting after such meeting and the term of office of the third group to expire at the third annual meeting after such meeting (provided that no director shall be elected at such meeting for a term longer than three years), and directors elected to succeed those whose terms expire shall again be elected for a term of office expiring at the third succeeding annual meeting of the corporation after their election or, in the event of a director elected to succeed a director elected to fill a vacancy, for a term expiring at the annual meeting at which the term of the director whose termination of office first created such vacancy would have expired; subject to the same provisions for voting in the holders of the shares of the Preferred Stock and the holders of the shares of the Preference Stock of such special rights in the election of directors as provided in Division IV of Article Fifth. The directors, as soon as practicable after each annual meeting, shall elect a President, one or more Vice-Presidents, a Secretary, a Treasurer, a Controller, and such other officers as may, from time to time, be provided for by the Board.

EIGHTH: The authority to make and to change, the By-laws is hereby vested in the Board of Directors, subject to the power of the stockholders to change or repeal the By-laws.

NINTH: The private property of the stockholders shall not be subject to the payment of corporate debts to any extent whatsoever.

TENTH: 1. No director of the corporation shall be personally liable to the corporation or its shareholders for monetary damages for any breach of his or her duties as a director, except for liability (a) for any transaction in which the director's personal financial interest is in conflict with the financial interests of the corporation or its shareholders; (b) for acts or omissions not in good faith or which involve intentional or wilful misconduct or are known to the director to be a violation of law; (c) for any vote for or assent to an unlawful distribution to shareholders as prohibited under Kentucky Revised Statutes 271B.8-330 and Virginia Stock Corporation Act § 13.1-692; or (d) for any transaction from which the director derived an improper personal benefit.

2. If either the Kentucky Business Corporation Act or the Virginia Stock Corporation Act is amended after approval by the shareholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, and these Articles could be amended to effect such change, then the liability of a director of the corporation shall be eliminated or limited to the fullest extent permitted by the Kentucky Business Corporation Act and the Virginia Stock Corporation Act, as so amended, and without the necessity for further shareholder action in respect thereof.

3. Any repeal or modification of this Article by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation hereunder in respect of any act or omission occurring prior to the time of such repeal or modification.

ELEVENTH: 1. The corporation shall indemnify: director, officer, employee, or agent who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he was a party because he is or was a director, officer, employee, or agent of the corporation against reasonable expenses incurred by him in connection with the proceeding.

2. Except as provided in paragraph 3 of this Article, the corporation shall indemnify an individual made a party to a proceeding because he is or was a director, officer, employee, or agent of the corporation against liability incurred in the proceeding if: (a) he conducted himself in good faith; and (b) he reasonably believed: (i) in the case of conduct in his official capacity with the corporation, that his conduct was in its best interest; and (ii) in all other cases, that his conduct was at least not opposed to its best interest; and (iii) in the case of any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful.

3. The corporation shall not indemnify a director under paragraph 2 of this Article (a) in connection with a proceeding by or in the right of the corporation in which the director was adjudged liable to the corporation; or (b) in connection with any other proceeding charging improper personal benefit to him, whether or not involving action in his official capacity, in which he was adjudged liable on the basis that personal benefit was improperly received by him.

4. Indemnification under this Article in connection with a proceeding by or in the right of the corporation shall be limited to reasonable expenses incurred in connection with the proceeding.

5. If, after approval by the shareholders of this Article, either the Kentucky Business Corporation Act or the Virginia Stock Corporation Act is amended to extend the permissible indemnification of a director, officer, employee, or agent of the corporation and these Articles could be amended to effect such change, then the indemnification of a director, officer, employee, or agent of the corporation shall be afforded to the fullest extent permitted by the Kentucky Business Corporation Act and the Virginia Stock Corporation Act, as so amended, and without the necessity for further shareholder action in respect thereof.

6. In addition to (and not by way of limitation of) the foregoing provisions of this Article Eleventh and the provisions of the Kentucky Business Corporation Act and the provisions of the Virginia Stock Corporation Act, each person (including the heirs, executors, administrators and estate of such person) who is or was or had agreed to become a director, officer, employee or agent of the corporation and each person (including the heirs, executors, administrators and estate of such person) who is or was serving or who had agreed to serve at the request of the directors or any officer of the corporation as a director, officer, employee, trustee, partner or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise shall be indemnified by the corporation to the fullest extent permitted by the Kentucky Business Corporation Act and the Virginia Stock Corporation Act, or any other applicable laws as presently or hereafter in effect. Without limiting the generality or the effect of the foregoing, the corporation is authorized to enter into one or more agreements with any person which provide for indemnification greater or different than that provided in this Article Eleventh.

7. Any repeal or modification of this Article by the shareholders of the corporation shall not adversely affect any indemnification of any person hereunder in respect of any act or omission occurring prior to the time of such repeal or modification.

TWELFTH: Except as otherwise provided in paragraph (9) of Division IV of Article Fifth, no special meeting of shareholders shall be held upon the demand of shareholders of the corporation unless the holders of at least fifty-one percent (51%) of all the votes entitled to be cast on each issue proposed to be considered at the special meeting shall have signed, dated and delivered to the corporation's secretary one or more written demands for the meeting describing the purpose or purposes for which it is to be held.

IN TESTIMONY WHEREOF, the foregoing Amended and Restated Articles of Incorporation are executed by the corporation by its President, this 27th day of October, 1992.

KENTUCKY UTILITIES COMPANY

By: 
JOHN T. NEWTON, Chairman and President

STATE OF KENTUCKY }
COUNTY OF FAYETTE } ss.

I, the undersigned, a Notary Public in and for the State and County aforesaid, do hereby certify that on this 27th day of October, 1992, personally appeared before me John T. Newton, who being by me first duly sworn declared that he is Chairman and President of KENTUCKY UTILITIES COMPANY, that he signed the foregoing Amended and Restated Articles of Incorporation of KENTUCKY UTILITIES COMPANY, and that the statements therein contained are true.

WITNESS my signature this 27th day of October, 1992.

Marilyn Ballard
MARILYN BALLARD

Notary Public, State at Large, Kentucky

My commission expires October 27, 1994.

The foregoing instrument was
prepared by George S. Brooks II,
One Quality Street, Lexington, Kentucky 40507.

George S. Brooks II

GEORGE S. BROOKS II

KENTUCKY UTILITIES COMPANY
Debt Refunding Analysis Assumptions & Summary
(Dollars in Thousands)

	Tax-Exempt Pollution Control Bonds			
	Carroll Cty 02/01/18	Carroll Cty 02/01/18	Muhlenberg Cty 02/01/18	Mercer Cty 02/01/18
Current Principal	\$ 20,930	\$ 2,400	\$ 7,200	\$ 7,400
Current Rate (Fixed)	6.250%	6.250%	6.250%	6.250%
Call Premium	\$ 419	\$ 43	\$ 144	\$ 148
Sinking Fund	NO	NO	NO	NO
Assumed Refunding Date	12/01/01	12/01/01	12/01/01	12/01/01
Assumed Maturity	2018	2018	2018	2018
Assumed Rate	4.120% ⁽¹⁾	4.120% ⁽¹⁾	4.120% ⁽¹⁾	4.120% ⁽¹⁾
Assumed Bond Issue Costs	\$ 209	\$ 24	\$ 72	\$ 74
Present Value ⁽²⁾				
CASHFLOWS Savings	\$ 2.982	\$ 342	\$ 1.026	\$ 1.054

Notes:

⁽¹⁾ Variable
refunding

⁽²⁾ The
present

Carroll County \$20.93 million 6.25% Series B due February 1, 2018
Comparison: Fixed to Variable (Weekly Mode)
Impact on Cash Flow

EXISTING CAPITALIZATION

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Principal Outstanding	Interest @ 6.250%	Debt Expense Amortization	Taxes	Total Cash Outlay
01-Dec-01	\$ 20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-02	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-02	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-03	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-03	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-04	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-04	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-05	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-05	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-06	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-06	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-07	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-07	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-08	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-08	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-09	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-09	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-10	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-10	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-11	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-11	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-12	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-12	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-13	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-13	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-14	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-14	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-15	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-15	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-16	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-16	20,930,000	654,063	21,216	(272,559)	381,503
01-Jun-17	20,930,000	654,063	21,216	(272,559)	381,503
01-Dec-17	20,930,000	654,063	21,216	(272,559)	381,503
01-Feb-18	20,930,000	327,031	10,608	(136,280)	190,752
TOTAL		\$21,257,031	\$689,522	(\$8,658,178)	\$12,398,654

KENTUCKY UTILITIES
Debt Refunding Analysis

PROPOSED REFUNDING

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Principal Outstanding	Interest @ 4.12%	Debt Expense Amortization (1)	Call Premium & Issue Expenses \$627,900	Taxes (2)	Total Cash Outlay
01-Dec-01	\$ 20,930,000	431,158	27,656		(185,189)	\$627,900
01-Jun-02	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-02	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-03	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-03	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-04	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-04	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-05	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-05	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-06	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-06	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-07	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-07	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-08	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-08	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-09	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-09	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-10	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-10	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-11	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-11	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-12	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-12	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-13	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-13	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-14	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-14	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-15	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-15	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-16	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-16	20,930,000	431,158	27,656		(185,189)	245,969
01-Jun-17	20,930,000	431,158	27,656		(185,189)	245,969
01-Dec-17	20,930,000	431,158	27,656		(185,189)	245,969
01-Feb-18	20,930,000	215,579	13,828		(92,594)	122,985
TOTAL		\$14,012,635	\$689,822	\$627,900	(\$6,018,637)	\$6,621,898

PRESENT VALUE ANALYSIS

Date	Periodic (Cost) or SAVINGS from Refunding	Present Value Factor	Present Value SAVINGS
01-Dec-01	(\$627,900)	1.0000	(\$627,900)
01-Jun-02	135,534	0.9878	133,881
01-Dec-02	135,534	0.9758	132,248
01-Jun-03	135,534	0.9639	130,635
01-Dec-03	135,534	0.9521	129,041
01-Jun-04	135,534	0.9405	127,467
01-Dec-04	135,534	0.9290	125,912
01-Jun-05	135,534	0.9177	124,377
01-Dec-05	135,534	0.9065	122,859
01-Jun-06	135,534	0.8954	121,361
01-Dec-06	135,534	0.8845	119,880
01-Jun-07	135,534	0.8737	118,418
01-Dec-07	135,534	0.8631	116,974
01-Jun-08	135,534	0.8525	115,547
01-Dec-08	135,534	0.8421	114,138
01-Jun-09	135,534	0.8319	112,745
01-Dec-09	135,534	0.8217	111,370
01-Jun-10	135,534	0.8117	110,012
01-Dec-10	135,534	0.8018	108,670
01-Jun-11	135,534	0.7920	107,344
01-Dec-11	135,534	0.7823	106,035
01-Jun-12	135,534	0.7728	104,741
01-Dec-12	135,534	0.7634	103,464
01-Jun-13	135,534	0.7541	102,202
01-Dec-13	135,534	0.7449	100,955
01-Jun-14	135,534	0.7358	99,724
01-Dec-14	135,534	0.7268	98,507
01-Jun-15	135,534	0.7179	97,306
01-Dec-15	135,534	0.7092	96,119
01-Jun-16	135,534	0.7005	94,946
01-Dec-16	135,534	0.6920	93,788
01-Jun-17	135,534	0.6835	92,644
01-Dec-17	135,534	0.6752	91,514
01-Feb-18	67,767	0.6711	45,477
TOTAL	\$3,776,956		\$2,892,401

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

Carroll County \$20.93 million 6.25% Series B due February 1, 2018
Comparison: Fixed to Variable (Weekly Mode)

Assumptions

EXISTING ISSUE

Carroll Co. Pollution Control Bonds
6.250% \$ 20,930,000 Matures February 1, 2018

Unamortized Debt Expense \$689,522 At August 30, 2001

Remaining amortization period

From Dec 1, 2001 to Maturity 195.0 months
Assuming 10 Year Extension 9.0 months

Redemption (Call) Price	102%	FIRST CALL February 1, 2002
Amount of Premium	\$418,600	

Cost of Funds (Lost Investment Earnings)	5.00%
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PROPOSED REFUNDING

Tax Exempt Pollution Control Bonds	4.120%	\$ 20,930,000 Matures February 1, 2018
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Bond Issue Costs	1.00%
Underwriting	0.50%
Issuance costs	0.50%

MISCELLANEOUS

Tax rate	40.363%
Discount rate	2.46%

Corporate Finance
28-Sep-01

Carroll County \$2.4 million 6.25% Series B due February 1, 2018
Comparison: Fixed to Variable (Weekly Mode)
Impact on Cash Flow

KENTUCKY UTILITIES
Debt Refunding Analysis

EXISTING CAPITALIZATION

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Principal Outstanding	Interest @ 6.250%	Debt Expense Amortization	Taxes	Total Cash Outlay
01-Jun-01	\$ 2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-01	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-02	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-02	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-03	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-03	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-04	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-04	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-05	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-05	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-06	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-06	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-07	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-07	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-08	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-08	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-09	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-09	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-10	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-10	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-11	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-11	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-12	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-12	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-13	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-13	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-14	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-14	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-15	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-15	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-16	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-16	2,400,000	75,000	2,428	(31,252)	43,748
01-Jun-17	2,400,000	75,000	2,428	(31,252)	43,748
01-Dec-17	2,400,000	75,000	2,428	(31,252)	43,748
01-Feb-18	2,400,000	37,500	1,214	(15,626)	21,874
TOTAL	\$2,437,500	\$78,914	(\$1,015,688)		\$1,421,812

PROPOSED REFUNDING

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Principal Outstanding	Interest @ 4.12%	Debt Expense Amortization (1)	Call Premium & Issue Expenses	Taxes (2)	Total Cash Outlay
01-Jun-01	\$ 2,400,000	49,440	3,167	\$72,000	(21,233)	\$72,000
01-Dec-01	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-02	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-02	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-03	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-03	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-04	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-04	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-05	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-05	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-06	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-06	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-07	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-07	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-08	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-08	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-09	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-09	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-10	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-10	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-11	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-11	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-12	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-12	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-13	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-13	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-14	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-14	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-15	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-15	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-16	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-16	2,400,000	49,440	3,167		(21,233)	28,207
01-Jun-17	2,400,000	49,440	3,167		(21,233)	28,207
01-Dec-17	2,400,000	49,440	3,167		(21,233)	28,207
01-Feb-18	2,400,000	24,720	1,583		(10,617)	14,103
TOTAL	\$1,606,800	\$102,914	\$72,000	(\$690,083)		\$988,717

PRESENT VALUE ANALYSIS

	Periodic (Cost) or SAVINGS from Refunding (\$72,000)	Factor	Present Value SAVINGS (\$72,000)
01-Jun-01	15,541	1.0000	15,541
01-Dec-01	15,541	0.9878	15,352
01-Jun-02	15,541	0.9758	15,165
01-Dec-02	15,541	0.9639	14,980
01-Jun-03	15,541	0.9521	14,797
01-Dec-03	15,541	0.9405	14,616
01-Jun-04	15,541	0.9290	14,438
01-Dec-04	15,541	0.9177	14,262
01-Jun-05	15,541	0.9065	14,088
01-Dec-05	15,541	0.8954	13,916
01-Jun-06	15,541	0.8845	13,746
01-Dec-06	15,541	0.8737	13,579
01-Jun-07	15,541	0.8631	13,413
01-Dec-07	15,541	0.8525	13,250
01-Jun-08	15,541	0.8421	13,088
01-Dec-08	15,541	0.8319	12,928
01-Jun-09	15,541	0.8217	12,771
01-Dec-09	15,541	0.8117	12,615
01-Jun-10	15,541	0.8018	12,461
01-Dec-10	15,541	0.7920	12,309
01-Jun-11	15,541	0.7823	12,159
01-Dec-11	15,541	0.7728	12,010
01-Jun-12	15,541	0.7634	11,864
01-Dec-12	15,541	0.7541	11,719
01-Jun-13	15,541	0.7449	11,576
01-Dec-13	15,541	0.7356	11,435
01-Jun-14	15,541	0.7266	11,296
01-Dec-14	15,541	0.7179	11,158
01-Jun-15	15,541	0.7092	11,022
01-Dec-15	15,541	0.7005	10,887
01-Jun-16	15,541	0.6920	10,755
01-Dec-16	15,541	0.6835	10,623
01-Jun-17	15,541	0.6752	10,494
01-Dec-17	15,541	0.6671	10,366
01-Feb-18	7,771		5,215
TOTAL	\$433,096		\$341,986

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

Carroll County \$2.4 million 6.25% Series B due February 1, 2018

Comparison: Fixed to Variable (Weekly Mode)

Assumptions

EXISTING ISSUE

Carroll Co. Pollution Control Bonds

6.250%

\$ 2,400,000

Matures February 1, 2018

Unamortized Debt Expense

\$78,914

At August 30, 2007

Remaining amortization period

From Dec. 1, 2001 to Maturity 195.0 months
Assuming 10 Year Extension 0.0 months

Redemption (Call) Price 102% FIRST CALL February 1, 2002
Amount of Premium \$48,000

Cost of Funds (Lost Investment Earnings)
5.00%

PROPOSED REFUNDING

Tax Exempt Pollution Control Bonds
4.120% \$ 2,400,000 Matures February 1, 2018

Bond Issue Costs 1.00%
Underwriting 0.50%
Issuance costs 0.50%

MISCELLANEOUS

Tax rate 40.363%

Discount rate 2.46%

Corporate Finance
28-Sep-01

Muhlenberg County \$7.2 million 6.25% Series A due February 1, 2018
 Comparison: Fixed to Variable (Weekly Mode)
Impact on Cash Flow

EXISTING CAPITALIZATION

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Principal Outstanding	Interest @ 6.250%	Debt Expense Amortization	Taxes	Total Cash Outlay
01-Dec-01	\$ 7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-02	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-02	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-03	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-03	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-04	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-04	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-05	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-05	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-06	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-06	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-07	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-07	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-08	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-08	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-09	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-09	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-10	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-10	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-11	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-11	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-12	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-12	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-13	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-13	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-14	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-14	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-15	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-15	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-16	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-16	7,200,000	225,000	7,421	(93,811)	131,189
01-Jun-17	7,200,000	225,000	7,421	(93,811)	131,189
01-Dec-17	7,200,000	225,000	7,421	(93,811)	131,189
01-Feb-18	7,200,000	112,500	3,710	(46,905)	65,595
TOTAL	\$7,312,500	\$241,173	(\$3,048,851)	\$4,263,649	

**KENTUCKY UTILITIES
 Debt Refunding Analysis**

PROPOSED REFUNDING

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Principal Outstanding	Interest @ 4.12%	Debt Expense Amortization (1)	Call Premium & Issue Expenses \$216,000	Taxes (2)	Total Cash Outlay
01-Dec-01	\$ 7,200,000	148,320	9,636		(63,755)	\$216,000
01-Jun-02	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-02	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-03	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-03	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-04	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-04	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-05	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-05	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-06	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-06	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-07	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-07	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-08	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-08	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-09	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-09	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-10	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-10	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-11	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-11	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-12	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-12	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-13	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-13	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-14	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-14	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-15	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-15	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-16	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-16	7,200,000	148,320	9,636		(63,755)	84,565
01-Jun-17	7,200,000	148,320	9,636		(63,755)	84,565
01-Dec-17	7,200,000	148,320	9,636		(63,755)	84,565
01-Feb-18	7,200,000	74,160	4,818		(31,878)	42,282
TOTAL	\$4,820,400	\$313,173	\$216,000	(\$2,072,038)	\$2,964,362	

PRESENT VALUE ANALYSIS

Date	Periodic (Cost) or Refunding (\$216,000)	Factor	Present Value SAVINGS (\$216,000)
01-Dec-01	46,624	1.0000	46,624
01-Jun-02	46,624	0.9978	46,594
01-Dec-02	46,624	0.9956	46,564
01-Jun-03	46,624	0.9933	46,534
01-Dec-03	46,624	0.9911	46,504
01-Jun-04	46,624	0.9889	46,474
01-Dec-04	46,624	0.9867	46,444
01-Jun-05	46,624	0.9845	46,414
01-Dec-05	46,624	0.9823	46,384
01-Jun-06	46,624	0.9801	46,354
01-Dec-06	46,624	0.9779	46,324
01-Jun-07	46,624	0.9757	46,294
01-Dec-07	46,624	0.9735	46,264
01-Jun-08	46,624	0.9713	46,234
01-Dec-08	46,624	0.9691	46,204
01-Jun-09	46,624	0.9669	46,174
01-Dec-09	46,624	0.9647	46,144
01-Jun-10	46,624	0.9625	46,114
01-Dec-10	46,624	0.9603	46,084
01-Jun-11	46,624	0.9581	46,054
01-Dec-11	46,624	0.9559	46,024
01-Jun-12	46,624	0.9537	45,994
01-Dec-12	46,624	0.9515	45,964
01-Jun-13	46,624	0.9493	45,934
01-Dec-13	46,624	0.9471	45,904
01-Jun-14	46,624	0.9449	45,874
01-Dec-14	46,624	0.9427	45,844
01-Jun-15	46,624	0.9405	45,814
01-Dec-15	46,624	0.9383	45,784
01-Jun-16	46,624	0.9361	45,754
01-Dec-16	46,624	0.9339	45,724
01-Jun-17	46,624	0.9317	45,694
01-Dec-17	46,624	0.9295	45,664
01-Feb-18	23,312	0.6711	15,644
TOTAL	\$1,299,287		\$1,025,957

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
 (2) Tax calculation based on interest expense and the amortization of new issue debt expense.

Muhlenberg County \$7.2 million 6.25% Series A due February 1, 2018
Comparison: Fixed to Variable (Weekly Mode)

Assumptions

EXISTING ISSUE

Carroll Co. Pollution Control Bonds			
6.250%	\$ 7,200,000	Matures February 1, 2018	
Unamortized Debt Expense	-----		
	<u>\$241,173</u>	At August 30, 2001	
Remaining amortization period			

From Dec. 1, 2001 to Maturity 195.0 months
Assuming 10 Year Extension 0.0 months

Redemption (Call) Price 102% FIRST CALL February 1, 2002
Amount of Premium \$144,000

Cost of Funds (Lost Investment Earnings):
5.00%

PROPOSED REFUNDING

Tax Exempt Pollution Control Bonds

4.120% \$ 7,200,000 Matures February 1, 2018

Bond Issue Costs 1.00%
Underwriting 0.50%
Issuance costs 0.50%

MISCELLANEOUS

Tax rate 40.363%

Discount rate 2.46%

Corporate Finance
28-Sep-01

Mercer County \$7.4 million 6.25% Series A due February 1, 2018
Comparison: Fixed to Variable (Weekly Model)
Impact on Cash Flow

KENTUCKY UTILITIES
Debt Refunding Analysis

EXISTING CAPITALIZATION

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Principal Outstanding	Interest @ 6.250%	Debt Expense Amortization	Taxes	Total Cash Outlay
01-Dec-01	\$ 7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-02	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-02	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-03	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-03	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-04	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-04	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-05	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-05	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-06	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-06	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-07	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-07	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-08	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-08	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-09	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-09	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-10	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-10	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-11	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-11	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-12	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-12	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-13	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-13	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-14	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-14	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-15	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-15	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-16	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-16	7,400,000	231,250	7,695	(96,444)	134,806
01-Jun-17	7,400,000	231,250	7,695	(96,444)	134,806
01-Dec-17	7,400,000	231,250	7,695	(96,444)	134,806
01-Feb-18	7,400,000	115,625	3,848	(48,222)	67,403
TOTAL	\$7,515,625	\$250,092	(\$3,134,440)	\$4,381,185	

PROPOSED REFUNDING

TAX EXEMPT POLLUTION CONTROL BONDS

Date	Interest @ 4.12%	Debt Expense Amortization (1)	Call Premium & Issue Expenses	Taxes (2)	Total Cash Outlay
01-Dec-01	152,440	9,972	\$222,000	(65,554)	\$222,000
01-Jun-02	152,440	9,972		(65,554)	86,886
01-Dec-02	152,440	9,972		(65,554)	86,886
01-Jun-03	152,440	9,972		(65,554)	86,886
01-Dec-03	152,440	9,972		(65,554)	86,886
01-Jun-04	152,440	9,972		(65,554)	86,886
01-Dec-04	152,440	9,972		(65,554)	86,886
01-Jun-05	152,440	9,972		(65,554)	86,886
01-Dec-05	152,440	9,972		(65,554)	86,886
01-Jun-06	152,440	9,972		(65,554)	86,886
01-Dec-06	152,440	9,972		(65,554)	86,886
01-Jun-07	152,440	9,972		(65,554)	86,886
01-Dec-07	152,440	9,972		(65,554)	86,886
01-Jun-08	152,440	9,972		(65,554)	86,886
01-Dec-08	152,440	9,972		(65,554)	86,886
01-Jun-09	152,440	9,972		(65,554)	86,886
01-Dec-09	152,440	9,972		(65,554)	86,886
01-Jun-10	152,440	9,972		(65,554)	86,886
01-Dec-10	152,440	9,972		(65,554)	86,886
01-Jun-11	152,440	9,972		(65,554)	86,886
01-Dec-11	152,440	9,972		(65,554)	86,886
01-Jun-12	152,440	9,972		(65,554)	86,886
01-Dec-12	152,440	9,972		(65,554)	86,886
01-Jun-13	152,440	9,972		(65,554)	86,886
01-Dec-13	152,440	9,972		(65,554)	86,886
01-Jun-14	152,440	9,972		(65,554)	86,886
01-Dec-14	152,440	9,972		(65,554)	86,886
01-Jun-15	152,440	9,972		(65,554)	86,886
01-Dec-15	152,440	9,972		(65,554)	86,886
01-Jun-16	152,440	9,972		(65,554)	86,886
01-Dec-16	152,440	9,972		(65,554)	86,886
01-Jun-17	152,440	9,972		(65,554)	86,886
01-Dec-17	152,440	9,972		(65,554)	86,886
01-Feb-18	76,220	4,986		(32,777)	43,443
TOTAL	\$4,954,300	\$324,092	\$222,000	(\$2,130,493)	\$3,045,802

PRESENT VALUE ANALYSIS

Periodic (Cost) or SAVINGS from Refunding (\$222,000)	Present Value Factor	Present Value SAVINGS (\$222,000)
47,919	1.0000	47,919
47,919	0.9878	47,335
47,919	0.9758	46,757
47,919	0.9639	46,187
47,919	0.9521	45,624
47,919	0.9405	45,067
47,919	0.9290	44,518
47,919	0.9177	43,974
47,919	0.9065	43,438
47,919	0.8954	42,908
47,919	0.8845	42,385
47,919	0.8737	41,868
47,919	0.8631	41,357
47,919	0.8525	40,853
47,919	0.8421	40,354
47,919	0.8319	39,862
47,919	0.8217	39,376
47,919	0.8117	38,896
47,919	0.8018	38,421
47,919	0.7920	37,953
47,919	0.7823	37,490
47,919	0.7728	37,032
47,919	0.7634	36,581
47,919	0.7541	36,134
47,919	0.7449	35,694
47,919	0.7358	35,258
47,919	0.7268	34,828
47,919	0.7179	34,403
47,919	0.7092	33,984
47,919	0.7005	33,569
47,919	0.6920	33,160
47,919	0.6835	32,755
47,919	0.6752	32,356
23,960	0.6711	16,079
TOTAL		\$1,054,456

(1) Debt Amortization Expense includes issuing costs of new series, remaining unamortized debt expense of the old series and call premium.
(2) Tax calculation based on interest expense and the amortization of new issue debt expense.

Rate Period. Each interest rate determined by the Remarketing Agent shall be the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account Prevailing Market Conditions, to enable the Remarketing Agent to sell the 1992 Series B Bonds (or, in the case of the Flexible Rate, the particular 1992 Series B Bond) at a price equal to the principal amount thereof, plus accrued interest, if any. Notwithstanding the foregoing, the interest rate borne by this 1992 Series B Bond shall not exceed the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 15% per annum.

Redemption; General. The 1992 Series B Bonds are non-callable for redemption except as set forth below and except in the event and to the extent that (1) Company is required to prepay the Loan in whole or in part pursuant to Section 10.3(a) of the Agreement or (2) Company is required to prepay the Loan in whole pursuant to Section 10.3(b) of the Agreement or (3) Company shall exercise any of its options to prepay the Loan in whole as provided in Section 10.1 of the Agreement or (4) Company elects to redeem 1992 Series B Bonds in whole or in part pursuant to Section 6.1 of the Agreement. If called for redemption pursuant to clause (1), (3) or (4) above, the 1992 Series B Bonds shall be subject to redemption by Issuer at any time in whole or (in the case of redemption pursuant to Sections 6.1 or 10.3(a) of the Agreement) in part on any redemption date established pursuant to Section 10.4 of the Agreement by lot in such manner as Trustee may determine, at 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption pursuant to clause (2) above, the provisions of the succeeding paragraph entitled "Additional Mandatory Redemption" shall be applicable.

Optional Redemption. The 1992 Series B Bonds are subject to redemption during the initial Long Term Rate Period at the option of the Issuer, upon the direction of the Company, in whole or in part, on any date on or after February 1, 2002, at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 1, 2002 to January 31, 2003	102%
February 1, 2003 to January 31, 2004	101%
February 1, 2004 and thereafter	100%

Additional Mandatory Redemption. The 1992 Series B Bonds are subject to mandatory redemption by Issuer in whole on any redemption date established pursuant to Section 10.4 of the Agreement at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date in the event Company is required to prepay the Loan in accordance with

Section 10.3(b) of the Agreement if the Refunded 1977 Series B Bonds are not paid and discharged on a date which is on or prior to the 90th day after the date of issuance of the 1992 Series B Bonds.

Redemption During Daily, Weekly, Semi-Annual and Flexible Rate Periods. Whenever the Interest Rate Mode is the Daily Rate, the Weekly Rate, the Semi-Annual Rate or the Flexible Rate, this 1992 Series B Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for this 1992 Series B Bond.

Redemption During Annual Rate Periods. Whenever the Interest Rate Mode is the Annual Rate, this 1992 Series B Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount hereof on the final Interest Payment Date for each Annual Rate Period.

Redemption During Long Term Rate Periods. Whenever the Interest Rate Mode is the Long Term Rate (other than during the initial Long Term Rate Period), this 1992 Series B Bond shall be subject to optional redemption during the then current Long Term Rate Period and on the final Interest Payment Date for the then current Long Term Rate Period, in whole or in part, at any time during the redemption periods and at the redemption prices set forth below:

<u>Original Length of Current Long Term Rate Period (Years)</u>	<u>Commencement of Redemption Period</u>	<u>Redemption Price as Percentage of Principal</u>
More than 15 years	Tenth anniversary of commencement of Long Term Rate Period	102% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 13 but not more than 15 years	Eighth anniversary of commencement of Long Term Rate Period	102% declining by 1/2% on each succeeding anni- versary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 10 but not more than 13 years	Seventh anniversary of commencement of Long Term Rate Period	101-1/2% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%

More than 5 but
not more than
10 years

Fifth anniversary
of commencement of
Long Term Rate
Period

101% declining by 1/2%
on each succeeding anni-
versary of the first day
of the redemption period
until reaching 100% and
thereafter 100%

5 years or less

Non-callable

Non-callable

If, at the time of Company's notice of a change in the Long Term Rate Period, or its notice of Conversion of the Interest Rate Mode for the 1992 Series B Bonds to the Long Term Rate, or, when the Interest Rate Mode for the 1992 Series B Bonds is the Long Term Rate, at least forty days prior to the Purchase Date, Company provides a certification of the Remarketing Agent to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and Issuer that the foregoing schedule is not consistent with Prevailing Market Conditions and an opinion of Bond Counsel that a change in the redemption provisions for the 1992 Series B Bonds will not adversely affect the exclusion from gross income of interest on the 1992 Series B Bonds for federal income tax purposes, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such change in the Long Term Rate Period, the Conversion Date or that Purchase Date, as determined by the Remarketing Agent in its judgment, taking into account the then Prevailing Market Conditions, as stipulated in such certification.

Redemption Procedures and Notices. Except in the case of mandatory redemption of the 1992 Series B Bonds pursuant to Section 10.3(b) of the Agreement as set forth in the next succeeding paragraph hereof, at least thirty days (and not in excess of sixty days) before the redemption date of any 1992 Series B Bonds in the case of 1992 Series B Bonds bearing interest at the Semi-Annual Rate, the Annual Rate or the Long Term Rate and at least fifteen days and not in excess of sixty days before the redemption date of any 1992 Series B Bonds in the case of 1992 Series B Bonds bearing interest at the Daily Rate, Weekly Rate or Flexible Rate, Trustee shall cause notice of redemption to be sent by first class mail, postage prepaid, to all Registered Owners of 1992 Series B Bonds to be redeemed in whole or in part at their registered addresses as shown on the Bond Register maintained by the Bond Registrar.

Notwithstanding the foregoing, in the case of mandatory redemption of the 1992 Series B Bonds pursuant to Section 10.3(b) of the Agreement, the 1992 Series B Bonds shall be redeemed on a date not more than fifteen days following the 90th day after the date of issuance of the 1992 Series B Bonds and Trustee shall cause a notice of redemption to be sent by first class mail, postage prepaid, to all Registered Owners of 1992 Series B Bonds at their registered addresses at least ten days before the redemption date.

Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, irrespective of whether the Registered Owner receives the notice. Failure to mail any notice or any defect therein in respect of any 1992 Series B Bond shall not affect the validity of the redemption of any other 1992 Series B Bond. All 1992 Series B Bonds called for redemption as herein provided will cease to bear interest after the date fixed for redemption provided funds for their redemption are on deposit at the place of payment at that time.

PURCHASE OF BONDS

This 1992 Series B Bond shall be subject to mandatory purchase in whole (i) on the effective date of (a) the Conversion of the Interest Rate Mode for the 1992 Series B Bonds, other than a Conversion from the Daily Rate to the Weekly Rate or a Conversion from the Weekly Rate to the Daily Rate, or (b) a change by Company of the length of the Long Term Rate Period, and (ii) on each Interest Payment Date for a Flexible Rate Period, in each case, at a purchase price equal to 100% of the principal amount hereof, plus, if the Interest Rate Mode is the Long Term Rate, the optional redemption premium, if any, which would be payable if the 1992 Series B Bonds were redeemed on such date, plus accrued interest, if any, to the Purchase Date.

This 1992 Series B Bond, or a portion hereof in an authorized denomination (provided that the portion of this 1992 Series B Bond to be retained by the Registered Owner shall also be in an Authorized Denomination), shall be purchased on the demand of the Registered Owner hereof at the times and the prices set forth below for the applicable Interest Rate Mode; provided, that if the Interest Rate Mode is the Flexible Rate, the Registered Owner shall have no right to demand purchase of this 1992 Series B Bond. If the Interest Rate Mode is the Daily Rate, this 1992 Series B Bond shall be purchased on the demand of the Registered Owner hereof, on any Business Day at a purchase price equal to the principal amount hereof plus accrued interest, if any, to the Purchase Date upon written notice or telephonic notice to the Tender Agent not later than 10:00 a.m. (New York City time) on such Business Day. If the Interest Rate Mode is the Weekly Rate, this 1992 Series B Bond shall be purchased on the demand of the Registered Owner hereof, on any Business Day at a purchase price equal to the principal amount hereof, plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date. If the Interest Rate Mode is the Semi-Annual Rate, this 1992 Series B Bond shall be purchased on the demand of the Registered Owner hereof, on any Interest Payment Date at a purchase price equal to the principal amount hereof, upon written

Flexible Rate, the Flexible Rate Periods) for the 1992 Series A Bonds shall be determined by the Remarketing Agent on the dates and at such times as specified in Section 2.02 of the Indenture. If the Remarketing Agent fails to determine the interest rate in accordance with Section 2.02 of the Indenture, the interest rate on this 1992 Series A Bond shall be the interest rate in effect for the previous Rate Period. Each interest rate determined by the Remarketing Agent shall be the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account Prevailing Market Conditions, to enable the Remarketing Agent to sell the 1992 Series A Bonds (or, in the case of the Flexible Rate, the particular 1992 Series A Bond) at a price equal to the principal amount thereof, plus accrued interest, if any. Notwithstanding the foregoing, the interest rate borne by this 1992 Series A Bond shall not exceed the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 15% per annum.

Redemption; General. The 1992 Series A Bonds are non-callable for redemption except as set forth below and except in the event and to the extent that (1) Company is required to prepay the Loan in whole or in part pursuant to Section 10.3(a) of the Agreement or (2) Company is required to prepay the Loan in whole pursuant to Section 10.3(b) of the Agreement or (3) Company shall exercise any of its options to prepay the Loan in whole as provided in Section 10.1 of the Agreement or (4) Company elects to redeem 1992 Series A Bonds in whole or in part pursuant to Section 6.1 of the Agreement. If called for redemption pursuant to clause (1), (3) or (4) above, the 1992 Series A Bonds shall be subject to redemption by Issuer at any time in whole or (in the case of redemption pursuant to Sections 6.1 or 10.3(a) of the Agreement) in part on any redemption date established pursuant to Section 10.4 of the Agreement by lot in such manner as Trustee may determine, at 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption pursuant to clause (2) above, the provisions of the succeeding paragraph entitled "Additional Mandatory Redemption" shall be applicable.

Optional Redemption. The 1992 Series A Bonds are subject to redemption during the initial Long Term Rate Period at the option of the Issuer, upon the direction of the Company, in whole or in part, on any date on or after February 1, 2002, at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 1, 2002 to January 31, 2003	102%
February 1, 2003 to January 31, 2004	101%
February 1, 2004 and thereafter	100%

Additional Mandatory Redemption. The 1992 Series A Bonds are subject to mandatory redemption by Issuer in whole on any redemption date established pursuant to Section 10.4 of the Agreement at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date in the

event Company is required to prepay the Loan in accordance with Section 10.3(b) of the Agreement if the Refunded 1977 Series A Bonds are not paid and discharged on a date which is on or prior to the 90th day after the date of issuance of the 1992 Series A Bonds.

Redemption During Daily, Weekly, Semi-Annual and Flexible Rate Periods. Whenever the Interest Rate Mode is the Daily Rate, the Weekly Rate, the Semi-Annual Rate or the Flexible Rate, this 1992 Series A Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for this 1992 Series A Bond.

Redemption During Annual Rate Periods. Whenever the Interest Rate Mode is the Annual Rate, this 1992 Series A Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount hereof on the final Interest Payment Date for each Annual Rate Period.

Redemption During Long Term Rate Periods. Whenever the Interest Rate Mode is the Long Term Rate, (other than during the initial Long Term Rate Period) this 1992 Series A Bond shall be subject to optional redemption during the then current Long Term Rate Period and on the final Interest Payment Date for the then current Long Term Rate Period, in whole or in part, at any time during the redemption periods and at the redemption prices set forth below:

<u>Original Length of Current Long Term Rate Period (Years)</u>	<u>Commencement of Redemption Period</u>	<u>Redemption Price as Percentage of Principal</u>
More than 15 years	Tenth anniversary of commencement of Long Term Rate Period	102% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 13 but not more than 15 years	Eighth anniversary of commencement of Long Term Rate Period	102% declining by 1/2% on each succeeding anni- versary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 10 but not more than 13 years	Seventh anniversary of commencement of Long Term Rate Period	101-1/2% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%

More than 5 but
not more than
10 years

Fifth anniversary
of commencement of
Long Term Rate
Period

101% declining by 1/2%
on each succeeding anni-
versary of the first day
of the redemption period
until reaching 100% and
thereafter 100%

5 years or less

Non-callable

Non-callable

If, at the time of Company's notice of a change in the Long Term Rate Period, or its notice of Conversion of the Interest Rate Mode for the 1992 Series A Bonds to the Long Term Rate, or, when the Interest Rate Mode for the 1992 Series A Bonds is the Long Term Rate, at least forty days prior to the Purchase Date, Company provides a certification of the Remarketing Agent to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and Issuer that the foregoing schedule is not consistent with Prevailing Market Conditions and an opinion of Bond Counsel that a change in the redemption provisions for the 1992 Series A Bonds will not adversely affect the exclusion from gross income of interest on the 1992 Series A Bonds for federal income tax purposes, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such change in the Long Term Rate Period, the Conversion Date or that Purchase Date, as determined by the Remarketing Agent in its judgment, taking into account the then Prevailing Market Conditions, as stipulated in such certification.

Redemption Procedures and Notices. Except in the case of mandatory redemption of the 1992 Series A Bonds pursuant to Section 10.3(b) of the Agreement as set forth in the next succeeding paragraph hereof, at least thirty days (and not in excess of sixty days) before the redemption date of any 1992 Series A Bonds in the case of 1992 Series A Bonds bearing interest at the Semi-Annual Rate, the Annual Rate or the Long Term Rate and at least fifteen days and not in excess of sixty days before the redemption date of any 1992 Series A Bonds in the case of 1992 Series A Bonds bearing interest at the Daily Rate, Weekly Rate or Flexible Rate, Trustee shall cause notice of redemption to be sent by first class mail, postage prepaid, to all Registered Owners of 1992 Series A Bonds to be redeemed in whole or in part at their registered addresses as shown on the Bond Register maintained by the Bond Registrar.

Notwithstanding the foregoing, in the case of mandatory redemption of the 1992 Series A Bonds pursuant to Section 10.3(b) of the Agreement, the 1992 Series A Bonds shall be redeemed on a date not more than fifteen days following the 90th day after the date of issuance of the 1992 Series A Bonds and Trustee shall cause a notice of redemption to be sent by first class mail, postage prepaid, to all Registered Owners of 1992 Series A Bonds at their registered addresses at least ten days before the redemption date.

Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, irrespective of whether the Registered Owner receives the notice. Failure to mail any notice or any defect therein in respect of any 1992 Series A Bond shall not affect the validity of the redemption of any other 1992 Series A Bond. All 1992 Series A Bonds called for redemption as herein provided will cease to bear interest after the date fixed for redemption provided funds for their redemption are on deposit at the place of payment at that time.

PURCHASE OF BONDS

This 1992 Series A Bond shall be subject to mandatory purchase in whole (i) on the effective date of (a) the Conversion of the Interest Rate Mode for the 1992 Series A Bonds, other than a Conversion from the Daily Rate to the Weekly Rate or a Conversion from the Weekly Rate to the Daily Rate, or (b) a change by Company of the length of the Long Term Rate Period, and (ii) on each Interest Payment Date for a Flexible Rate Period, in each case, at a purchase price equal to 100% of the principal amount hereof, plus, if the Interest Rate Mode is the Long Term Rate, the optional redemption premium, if any, which would be payable if the 1992 Series A Bonds were redeemed on such date, plus accrued interest, if any, to the Purchase Date.

This 1992 Series A Bond, or a portion hereof in an authorized denomination (provided that the portion of this 1992 Series A Bond to be retained by the Registered Owner shall also be in an Authorized Denomination), shall be purchased on the demand of the Registered Owner hereof at the times and the prices set forth below for the applicable Interest Rate Mode; provided, that if the Interest Rate Mode is the Flexible Rate, the Registered Owner shall have no right to demand purchase of this 1992 Series A Bond. If the Interest Rate Mode is the Daily Rate, this 1992 Series A Bond shall be purchased on the demand of the Registered Owner hereof, on any Business Day at a purchase price equal to the principal amount hereof plus accrued interest, if any, to the Purchase Date upon written notice or telephonic notice to the Tender Agent not later than 10:00 a.m. (New York City time) on such Business Day. If the Interest Rate Mode is the Weekly Rate, this 1992 Series A Bond shall be purchased on the demand of the Registered Owner hereof, on any Business Day at a purchase price equal to the principal amount hereof, plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date. If the Interest Rate Mode is the Semi-Annual Rate, this 1992 Series A Bond shall be purchased on the demand of the Registered Owner hereof, on any Interest Payment Date at a purchase price equal to the principal amount hereof, upon written notice to the Tender Agent on a Business Day not later than the fifteenth day prior to such Purchase Date. If the Interest Rate Mode is the Annual Rate or the Long Term Rate, this 1992 Series A Bond shall be purchased on the demand of the Registered Owner hereof on the final Interest Payment Date for the Annual Rate Period or the

Flexible Rate, the Flexible Rate Periods) for the 1992 Series A Bonds shall be determined by the Remarketing Agent on the dates and at such times as specified in Section 2.02 of the Indenture. If the Remarketing Agent fails to determine the interest rate in accordance with Section 2.02 of the Indenture, the interest rate on this 1992 Series A Bond shall be the interest rate in effect for the previous Rate Period. Each interest rate determined by the Remarketing Agent shall be the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account Prevailing Market Conditions, to enable the Remarketing Agent to sell the 1992 Series A Bonds (or, in the case of the Flexible Rate, the particular 1992 Series A Bond) at a price equal to the principal amount thereof, plus accrued interest, if any. Notwithstanding the foregoing, the interest rate borne by this 1992 Series A Bond shall not exceed the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 15% per annum.

Redemption; General. The 1992 Series A Bonds are non-callable for redemption except as set forth below and except in the event and to the extent that (1) Company is required to prepay the Loan in whole or in part pursuant to Section 10.3(a) of the Agreement or (2) Company is required to prepay the Loan in whole pursuant to Section 10.3(b) of the Agreement or (3) Company shall exercise any of its options to prepay the Loan in whole as provided in Section 10.1 of the Agreement or (4) Company elects to redeem 1992 Series A Bonds in whole or in part pursuant to Section 6.1 of the Agreement. If called for redemption pursuant to clause (1), (3) or (4) above, the 1992 Series A Bonds shall be subject to redemption by Issuer at any time in whole or (in the case of redemption pursuant to Sections 6.1 or 10.3(a) of the Agreement) in part on any redemption date established pursuant to Section 10.4 of the Agreement by lot in such manner as Trustee may determine, at 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption pursuant to clause (2) above, the provisions of the succeeding paragraph entitled "Additional Mandatory Redemption" shall be applicable.

Optional Redemption. The 1992 Series A Bonds are subject to redemption during the initial Long Term Rate Period at the option of the Issuer, upon the direction of the Company, in whole or in part, on any date on or after February 1, 2002, at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 1, 2002 to January 31, 2003	102%
February 1, 2003 to January 31, 2004	101%
February 1, 2004 and thereafter	100%

Additional Mandatory Redemption. The 1992 Series A Bonds are subject to mandatory redemption by Issuer in whole on any redemption date established pursuant to Section 10.4 of the Agreement at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date in the

event Company is required to prepay the Loan in accordance with Section 10.3(b) of the Agreement if the Refunded 1977 Series A Bonds are not paid and discharged on a date which is on or prior to the 90th day after the date of issuance of the 1992 Series A Bonds.

Redemption During Daily, Weekly, Semi-Annual and Flexible Rate Periods. Whenever the Interest Rate Mode is the Daily Rate, the Weekly Rate, the Semi-Annual Rate or the Flexible Rate, this 1992 Series A Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for this 1992 Series A Bond.

Redemption During Annual Rate Periods. Whenever the Interest Rate Mode is the Annual Rate, this 1992 Series A Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount hereof on the final Interest Payment Date for each Annual Rate Period.

Redemption During Long Term Rate Periods. Whenever the Interest Rate Mode is the Long Term Rate, (other than during the initial Long Term Rate Period) this 1992 Series A Bond shall be subject to optional redemption during the then current Long Term Rate Period and on the final Interest Payment Date for the then current Long Term Rate Period, in whole or in part, at any time during the redemption periods and at the redemption prices set forth below:

<u>Original Length of Current Long Term Rate Period (Years)</u>	<u>Commencement of Redemption Period</u>	<u>Redemption Price as Percentage of Principal</u>
More than 15 years	Tenth anniversary of commencement of Long Term Rate Period	102% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 13 but not more than 15 years	Eighth anniversary of commencement of Long Term Rate Period	102% declining by 1/2% on each succeeding anni- versary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 10 but not more than 13 years	Seventh anniversary of commencement of Long Term Rate Period	101-1/2% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%

More than 5 but
not more than
10 years

Fifth anniversary
of commencement of
Long Term Rate
Period

101% declining by 1/2%
on each succeeding anni-
versary of the first day
of the redemption period
until reaching 100% and
thereafter 100%

5 years or less

Non-callable

Non-callable

If, at the time of Company's notice of a change in the Long Term Rate Period, or its notice of Conversion of the Interest Rate Mode for the 1992 Series A Bonds to the Long Term Rate, or, when the Interest Rate Mode for the 1992 Series A Bonds is the Long Term Rate, at least forty days prior to the Purchase Date, Company provides a certification of the Remarketing Agent to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and Issuer that the foregoing schedule is not consistent with Prevailing Market Conditions and an opinion of Bond Counsel that a change in the redemption provisions for the 1992 Series A Bonds will not adversely affect the exclusion from gross income of interest on the 1992 Series A Bonds for federal income tax purposes, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such change in the Long Term Rate Period, the Conversion Date or that Purchase Date, as determined by the Remarketing Agent in its judgment, taking into account the then Prevailing Market Conditions, as stipulated in such certification.

Redemption Procedures and Notices. Except in the case of mandatory redemption of the 1992 Series A Bonds pursuant to Section 10.3(b) of the Agreement as set forth in the next succeeding paragraph hereof, at least thirty days (and not in excess of sixty days) before the redemption date of any 1992 Series A Bonds in the case of 1992 Series A Bonds bearing interest at the Semi-Annual Rate, the Annual Rate or the Long Term Rate and at least fifteen days and not in excess of sixty days before the redemption date of any 1992 Series A Bonds in the case of 1992 Series A Bonds bearing interest at the Daily Rate, Weekly Rate or Flexible Rate, Trustee shall cause notice of redemption to be sent by first class mail, postage prepaid, to all Registered Owners of 1992 Series A Bonds to be redeemed in whole or in part at their registered addresses as shown on the Bond Register maintained by the Bond Registrar.

Notwithstanding the foregoing, in the case of mandatory redemption of the 1992 Series A Bonds pursuant to Section 10.3(b) of the Agreement, the 1992 Series A Bonds shall be redeemed on a date not more than fifteen days following the 90th day after the date of issuance of the 1992 Series A Bonds and Trustee shall cause a notice of redemption to be sent by first class mail, postage prepaid, to all Registered Owners of 1992 Series A Bonds at their registered addresses at least ten days before the redemption date.

Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, irrespective of whether the Registered Owner receives the notice. Failure to mail any notice or any defect therein in respect of any 1992 Series A Bond shall not affect the validity of the redemption of any other 1992 Series A Bond. All 1992 Series A Bonds called for redemption as herein provided will cease to bear interest after the date fixed for redemption provided funds for their redemption are on deposit at the place of payment at that time.

PURCHASE OF BONDS

This 1992 Series A Bond shall be subject to mandatory purchase in whole (i) on the effective date of (a) the Conversion of the Interest Rate Mode for the 1992 Series A Bonds, other than a Conversion from the Daily Rate to the Weekly Rate or a Conversion from the Weekly Rate to the Daily Rate, or (b) a change by Company of the length of the Long Term Rate Period, and (ii) on each Interest Payment Date for a Flexible Rate Period, in each case, at a purchase price equal to 100% of the principal amount hereof, plus, if the Interest Rate Mode is the Long Term Rate, the optional redemption premium, if any, which would be payable if the 1992 Series A Bonds were redeemed on such date, plus accrued interest, if any, to the Purchase Date.

This 1992 Series A Bond, or a portion hereof in an authorized denomination (provided that the portion of this 1992 Series A Bond to be retained by the Registered Owner shall also be in an Authorized Denomination), shall be purchased on the demand of the Registered Owner hereof at the times and the prices set forth below for the applicable Interest Rate Mode; provided, that if the Interest Rate Mode is the Flexible Rate, the Registered Owner shall have no right to demand purchase of this 1992 Series A Bond. If the Interest Rate Mode is the Daily Rate, this 1992 Series A Bond shall be purchased on the demand of the Registered Owner hereof, on any Business Day at a purchase price equal to the principal amount hereof plus accrued interest, if any, to the Purchase Date upon written notice or telephonic notice to the Tender Agent not later than 10:00 a.m. (New York City time) on such Business Day. If the Interest Rate Mode is the Weekly Rate, this 1992 Series A Bond shall be purchased on the demand of the Registered Owner hereof, on any Business Day at a purchase price equal to the principal amount hereof, plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date. If the Interest Rate Mode is the Semi-Annual Rate, this 1992 Series A Bond shall be purchased on the demand of the Registered Owner hereof, on any Interest Payment Date at a purchase price equal to the principal amount hereof, upon written notice to the Tender Agent on a Business Day not later than the fifteenth day prior to such Purchase Date. If the Interest Rate Mode is the Annual Rate or the Long Term Rate, this 1992 Series A Bond shall be purchased on the demand of the Registered Owner hereof on the final Interest Payment Date for the Annual Rate Period or the

flexible Rate, the Flexible Rate Periods) for the 1992 Series C Bonds shall be determined by the Remarketing Agent on the dates and at such times as specified in Section 2.02 of the Indenture. If the Remarketing Agent fails to determine the interest rate in accordance with Section 2.02 of the Indenture, the interest rate on this 1992 Series C Bond shall be the interest rate in effect for the previous Rate Period. Each interest rate determined by the Remarketing Agent shall be the minimum rate of interest necessary, in the judgment of the Remarketing Agent taking into account Prevailing Market Conditions, to enable the Remarketing Agent to sell the 1992 Series C Bonds (or, in the case of the Flexible Rate, the particular 1992 Series C Bond) at a price equal to the principal amount thereof, plus accrued interest, if any. Notwithstanding the foregoing, the interest rate borne by this 1992 Series C Bond shall not exceed the lesser of (i) the maximum interest rate permitted by applicable law or (ii) 15% per annum.

Redemption; General. The 1992 Series C Bonds are non-callable for redemption except as set forth below and except in the event and to the extent that (1) Company is required to prepay the Loan in whole or in part pursuant to Section 10.3(a) of the Agreement or (2) Company is required to prepay the Loan in whole pursuant to Section 10.3(b) of the Agreement or (3) Company shall exercise any of its options to prepay the Loan in whole as provided in Section 10.1 of the Agreement or (4) Company elects to redeem 1992 Series C Bonds in whole or in part pursuant to Section 6.1 of the Agreement. If called for redemption pursuant to clause (1), (3) or (4) above, the 1992 Series C Bonds shall be subject to redemption by Issuer at any time in whole or (in the case of redemption pursuant to Sections 6.1 or 10.3(a) of the Agreement) in part on any redemption date established pursuant to Section 10.4 of the Agreement by lot in such manner as Trustee may determine, at 100% of the principal amount thereof plus accrued interest to the redemption date. If called for redemption pursuant to clause (2) above, the provisions of the succeeding paragraph entitled "Additional Mandatory Redemption" shall be applicable.

Optional Redemption. The 1992 Series C Bonds are subject to redemption during the initial Long Term Rate Period at the option of the Issuer, upon the direction of the Company, in whole or in part, on any date on or after February 1, 2002, at the redemption prices set forth below, plus in each case interest accrued, if any, to the redemption date:

<u>Redemption Period</u>	<u>Redemption Price</u>
February 1, 2002 to January 31, 2003	102%
February 1, 2003 to January 31, 2004	101%
February 1, 2004 and thereafter	100%

Additional Mandatory Redemption. The 1992 Series C Bonds are subject to mandatory redemption by Issuer in whole on any redemption date established pursuant to Section 10.4 of the Agreement at a redemption price equal to 100% of the principal

amount thereof plus accrued interest to the redemption date in the event Company is required to prepay the Loan in accordance with Section 10.3(b) of the Agreement if the Refunded 1977 Series A Bonds are not paid and discharged on a date which is on or prior to the 90th day after the date of issuance of the 1992 Series C Bonds.

Redemption During Daily, Weekly, Semi-Annual and Flexible Rate Periods. Whenever the Interest Rate Mode is the Daily Rate, the Weekly Rate, the Semi-Annual Rate or the Flexible Rate, this 1992 Series C Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount thereof on any Interest Payment Date for this 1992 Series C Bond.

Redemption During Annual Rate Periods. Whenever the Interest Rate Mode is the Annual Rate, this 1992 Series C Bond shall be subject to optional redemption, in whole or in part, at a redemption price of 100% of the principal amount hereof on the final Interest Payment Date for each Annual Rate Period.

Redemption During Long Term Rate Periods. Whenever the Interest Rate Mode is the Long Term Rate, (other than during the initial Long Term Rate Period) this 1992 Series C Bond shall be subject to optional redemption during the then current Long Term Rate Period and on the final Interest Payment Date for the then current Long Term Rate Period, in whole or in part, at any time during the redemption periods and at the redemption prices set forth below:

<u>Original Length of Current Long Term Rate Period (Years)</u>	<u>Commencement of Redemption Period</u>	<u>Redemption Price as Percentage of Principal</u>
More than 15 years	Tenth anniversary of commencement of Long Term Rate Period	102% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 13 but not more than 15 years	Eighth anniversary of commencement of Long Term Rate Period	102% declining by 1/2% on each succeeding anni- versary of the first day of the redemption period until reaching 100% and thereafter 100%
More than 10 but not more than 13 years	Seventh anniversary of commencement of Long Term Rate Period	101-1/2% declining by 1/2% on each succeeding anniversary of the first day of the redemption period until reaching 100% and thereafter 100%

More than 5 but
not more than
10 years

Fifth anniversary
of commencement of
Long Term Rate
Period

101% declining by 1/2%
on each succeeding anni-
versary of the first day
of the redemption period
until reaching 100% and
thereafter 100%

5 years or less

Non-callable

Non-callable

if, at the time of Company's notice of a change in the Long Term Rate Period, or its notice of Conversion of the Interest Rate Mode for the 1992 Series C Bonds to the Long Term Rate, or, when the Interest Rate Mode for the 1992 Series C Bonds is the Long Term Rate, at least forty days prior to the Purchase Date, Company provides a certification of the Remarketing Agent to Trustee, the Bond Registrar, the Paying Agent, the Tender Agent and Issuer that the foregoing schedule is not consistent with Prevailing Market Conditions and an opinion of Bond Counsel that a change in the redemption provisions for the 1992 Series C Bonds will not adversely affect the exclusion from gross income of interest on the 1992 Series C Bonds for federal income tax purposes, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such change in the Long Term Rate Period, the Conversion Date or that Purchase Date, as determined by the Remarketing Agent in its judgment, taking into account the then Prevailing Market Conditions, as stipulated in such certification.

Redemption Procedures and Notices. Except in the case of mandatory redemption of the 1992 Series C Bonds pursuant to Section 10.3(b) of the Agreement as set forth in the next succeeding paragraph hereof, at least thirty days (and not in excess of sixty days) before the redemption date of any 1992 Series C Bonds (in the case of 1992 Series C Bonds bearing interest at the Semi-Annual Rate, the Annual Rate or the Long Term Rate and at least ten days and not in excess of sixty days) before the redemption date of any 1992 Series C Bonds in the case of 1992 Series C Bonds bearing interest at the Daily Rate, Weekly Rate or Flexible Rate, Trustee shall cause notice of redemption to be sent by first class mail, postage prepaid, to all Registered Owners of 1992 Series C Bonds to be redeemed in whole or in part at their registered addresses as shown on the Bond Register maintained by the Bond Registrar.

Notwithstanding the foregoing, in the case of mandatory redemption of the 1992 Series C Bonds pursuant to Section 10.3(b) of the Agreement, the 1992 Series C Bonds shall be redeemed on a date not more than fifteen days following the 90th day after the date of issuance of the 1992 Series C Bonds and Trustee shall cause a notice of redemption to be sent by first class mail, postage prepaid, to all Registered Owners of 1992 Series C Bonds at their registered addresses at least ten days before the redemption date.

Any notice mailed as provided in the Indenture shall be conclusively presumed to have been duly given, irrespective of whether the Registered Owner receives the notice. Failure to mail any notice or any defect therein in respect of any 1992 Series C Bond shall not affect the validity of the redemption of any other 1992 Series C Bond. All 1992 Series C Bonds called for redemption as herein provided will cease to bear interest after the date fixed for redemption provided funds for their redemption are on deposit at the place of payment at that time.

PURCHASE OF BONDS

This 1992 Series C Bond shall be subject to mandatory purchase in whole (i) on the effective date of (a) the Conversion of the Interest Rate Mode for the 1992 Series C Bonds, other than a Conversion from the Daily Rate to the Weekly Rate or a Conversion from the Weekly Rate to the Daily Rate, or (b) a change by Company of the length of the Long Term Rate Period, and (ii) on each Interest Payment Date for a Flexible Rate Period, in each case, at a purchase price equal to 100% of the principal amount hereof, plus, if the Interest Rate Mode is the Long Term Rate, the optional redemption premium, if any, which would be payable if the 1992 Series C Bonds were redeemed on such date, plus accrued interest, if any, to the Purchase Date.

This 1992 Series C Bond, or a portion hereof in an authorized denomination (provided that the portion of this 1992 Series C Bond to be retained by the Registered Owner shall also be in an Authorized Denomination), shall be purchased on the demand of the Registered Owner hereof at the times and the prices set forth below for the applicable Interest Rate Mode; provided, that if the Interest Rate Mode is the Flexible Rate, the Registered Owner shall have no right to demand purchase of this 1992 Series C Bond. If the Interest Rate Mode is the Daily Rate, this 1992 Series C Bond shall be purchased on the demand of the Registered Owner hereof, on any Business Day at a purchase price equal to the principal amount hereof plus accrued interest, if any, to the Purchase Date upon written notice or telephonic notice to the Tender Agent not later than 10:00 a.m. (New York City time) on such Business Day. If the Interest Rate Mode is the Weekly Rate, this 1992 Series C Bond shall be purchased on the demand of the Registered Owner hereof, on any Business Day at a purchase price equal to the principal amount hereof, plus accrued interest, if any, to the Purchase Date, upon written notice to the Tender Agent at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date. If the Interest Rate Mode is the Semi-Annual Rate, this 1992 Series C Bond shall be purchased on the demand of the Registered Owner hereof, on any Interest Payment Date at a purchase price equal to the principal amount hereof, upon written notice to the Tender Agent on a Business Day not later than the fifteenth day prior to such Purchase Date. If the Interest Rate Mode is the Annual Rate or the Long Term Rate, this 1992 Series C Bond shall be purchased on the demand of the Registered Owner hereof on the final Interest Payment Date for the Annual Rate Period or the

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KENTUCKY UTILITIES COMPANY

FINANCIAL EXHIBIT

AUGUST 31, 2001

(1) Amount and kinds of stock authorized.

300,000,000 shares of Common Stock, without par value.

400,000 shares of Cumulative Preferred Stock, without par value.

(2) Amount and kinds of stock issued and outstanding.

Common Stock:

37,817,878 shares issued and outstanding.

Preferred Stock

\$100 stated value, 4-3/4% cumulative, 200,000 shares issued and outstanding.

\$100 stated value, 6.53 % cumulative, 200,000 shares issued and outstanding.

(3) Terms of preference of preferred stock whether cumulative or participating, or on dividends or assets otherwise.

Preferred Stock outstanding has cumulative provision on dividends.

(4) Brief description of each mortgage on property of applicant, giving date of execution name of mortgagor, name of mortgagee, or trustee, amount of indebtedness authorized to be secured thereby, and the amount of the indebtedness actually secured, together with any sinking fund provisions.

Mortgage indenture dated May 1, 1947, executed by and between the Company and Continental Illinois Bank and Trust Company of Chicago (the "Trustee") and Edmund B. Stofft, as trustees and amended by the several indentures supplemental thereto. As of August 31, 2001, the amount of indebtedness secured thereby was \$484,830,000. The indenture does not fix an overall limitation on the aggregate principal amount of bonds of all series that may be issued or outstanding thereunder.

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- (5) Amount of bonds authorized, and amount issued giving the name of the public utility which issued the same, describing each class separately, and giving date of issue, face value, rate of interest, date of maturity and how secured, together with an amount of interest paid thereon during the last fiscal year.

First Mortgage Bonds authorized and issued by Kentucky Utilities Company at August 31, 2001, secured by a first mortgage lien, subject only to permitted encumbrances, on all or substantially all the permanent fixed properties, other than excluded property, owned by the Company:

Series	Date of Issue	Date of Maturity	Rate of Interest	Principal Amount		Interest Expense
				Authorized	Outstanding at August 31, 2001	Year Ended August 31, 2001
P	05/15/92	05/15/07	7.92%	\$ 53,000,000	\$ 53,000,000	\$ 4,257,611
P	05/15/92	05/15/27	8.55%	33,000,000	33,000,000	2,821,500
Q	06/15/93	06/15/03	6.32%	62,000,000	62,000,000	3,918,400
R	06/01/95	06/01/25	7.55%	50,000,000	50,000,000	3,331,897
S	01/15/96	01/15/06	5.99%	36,000,000	36,000,000	2,156,400

Pollution Control Bonds

1B	08/01/92	02/01/18	6.25%	\$ 20,930,000	\$ 20,930,000	1,308,125
2B	08/01/92	02/01/18	6.25%	2,400,000	2,400,000	150,000
3B	08/01/92	02/01/18	6.25%	7,200,000	7,200,000	450,000
4B	08/01/92	02/01/18	6.25%	7,400,000	7,400,000	462,500
8	09/15/92	09/15/16	7.45%	96,000,000	96,000,000	7,152,000
9	12/01/93	12/01/23	5.75%	50,000,000	50,000,000	2,120,835
10	11/01/94	11/01/24	Variable	54,000,000	54,000,000	2,055,894
A	05/01/00	05/01/23	Variable	12,900,000	12,900,000	506,827

Interest rate swap		(1,545,420)
Long term debt mark to market	1,107,842	(221,371)
Total	<u>\$ 485,937,842</u>	<u>\$ 29,125,198</u>

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- (6) Each note outstanding, giving date of issue, amount, date of maturity, rate of interest in whose favor, together with amount of interest paid thereon during the last fiscal year.

Payee	Date of Issue	Amount	Rate of Interest	Date of Maturity	Interest Paid Year Ended August 31, 2001
LG&E Energy Corp.	12/31/00	\$ 36,789,650	Various	Various	\$ 1,674,399

- (7) Other indebtedness, giving same by classes and describing security, if any with a brief statement of the devolution or assumption of any portion of such indebtedness upon or by person or corporation if the original liability has been transferred, together with amount of interest paid thereon during the last fiscal year.

None, other than current and accrued liabilities.

- (8) Rate and amount of dividends paid during the five previous fiscal years, and amount of capital stock on which dividends were paid. (1)

Dividends on Common Stock, without par value

Year	Amount Declared
1996	65,047,000
1997	66,559,000
1998	76,091,000
1999	73,999,000
2000	75,500,000

- (1) As of May 1998, the 37,817,878 shares are all owned by LG&E Energy Corp. and all dividends declared by KU's Board of Directors are paid to LG&E Energy Corp.

Dividends on 4 3/4% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.1875 per share on the 200,000 outstanding shares of 4 3/4% Cumulative Preferred Stock, \$100 stated value, for a total of \$ 237,500 per quarter. On an annual basis the

dividend amounted to \$4.75 per share, or \$950,000.

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Dividends on 6.53% Cumulative Preferred Stock

For each of the quarters in the previous five fiscal years, the Company declared and paid dividends of \$1.6325 per share on the 200,000 outstanding shares of 6.53% Cumulative Preferred Stock, \$100 stated value, for a total of \$326,500 per quarter. On an annual basis the dividend amounted to \$6.53 per share, or \$1,306,000.

(9) Detailed Income Statement and Balance Sheet

Monthly Financial and Operating Reports are filed each month with the Commission. Our most recent mailing covered financial statements for periods through July 31, 2001. Attached are detailed Statements of Income, Balance sheets and Retained Earnings for the Company for the period ending August 31, 2001.

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KENTUCKY UTILITIES COMPANY

The 2000 Form 10-K Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 (combined form 10-K, separately filed by Louisville Gas and Electric Company and Kentucky Utilities Company) contains Statements of Income, Balance sheets, Statements of Retained Earnings, Statements of Cash Flows, Statements of Capitalization, Management's Discussions and Analysis of Results of Operation and Financial Conditions, and Notes to Financial Statements, for Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU").

We have also attached the succeeding three pages, detailed Statements of Income, Balance Sheets, and Statements of Retained Earnings for the KU for the period ending August 31, 2001.

KENTUCKY UTILITIES COMPANY
COMPARATIVE BALANCE SHEETS AS OF AUGUST 31, 2001 AND 2000

ASSETS AND OTHER DEBITS		THIS YEAR	LAST YEAR	LIABILITIES AND OTHER CREDITS		THIS YEAR	LAST YEAR
Utility Plant				Capitalization			
Utility Plant at Original Cost.....		3,026,209,630.37	2,915,615,734.41	Common Stock.....		308,139,977.56	308,139,977.56
Less Reserves for Depreciation & Amortization.....		1,435,885,796.05	1,352,490,381.85	Common Stock Expense.....		(594,394.29)	(594,394.29)
Total.....		1,590,323,834.32	1,563,125,352.56	Paid-In Capital.....		15,000,000.00	-
				Derivative Gain (Loss).....		1,588,424.00	-
Investments - At Cost				Retained Earnings.....		376,660,467.19	335,444,861.81
Nonutility Property-Less Reserve.....		897,535.20	3,777,393.39	Unappropriated Undistributed Subsidiary Earnings.....		642,339.98	634,480.47
Investments in Subsidiary Companies.....		1,938,139.98	1,930,280.47	Total Common Equity.....		701,436,814.44	643,624,925.55
Investments in KU-R.....		3,000,000.00	-	Preferred Stock.....		40,000,000.00	40,000,000.00
Ohio Valley Electric Corporation.....		250,000.00	250,000.00	First Mortgage Bonds.....		484,830,000.00	484,830,000.00
Other.....		773,600.44	632,357.83	Other Long-Term Debt.....		-	-
Special Funds.....		6,230,561.10	7,547,680.30	Long-Term Debt Marked to Market.....		1,107,842.00	-
Total.....		13,089,836.72	14,137,711.99	Total Long-Term Debt.....		485,937,842.00	484,830,000.00
Current and Accrued Assets				Total Capitalization.....		1,227,374,656.44	1,168,454,925.55
Cash.....		-	-	Current and Accrued Liabilities			
Special Deposits.....		183,579.04	266,407.10	Advances from Associated Companies.....		-	-
Temporary Cash Investments.....		-	180,072.81	Long-Term Debt Due in 1 Year.....		-	-
Accounts Receivable-Less Reserve.....		18,074,931.33	83,818,809.60	Notes Payable.....		-	29,942,666.67
Notes Receivable from Assoc. Companies.....		-	-	Notes Payable to Associated Companies.....		36,789,649.91	-
Notes Receivable from KU-R.....		42,645,464.00	-	Accounts Payable.....		60,924,634.34	67,426,023.56
Accounts Receivable from Assoc. Companies.....		24,970,347.50	12,982,318.38	Accounts Payable to Associated Companies.....		30,522,715.47	60,652,946.64
Materials & Supplies-At Average Cost				Customer Deposits.....		10,578,304.44	10,474,165.30
Fuel.....		36,046,776.39	23,106,619.33	Taxes Accrued.....		35,196,453.00	43,655,961.86
Plant Materials & Operating Supplies.....		20,965,166.32	23,255,950.03	Interest Accrued.....		8,052,348.53	9,890,820.42
Stores Expense.....		5,037,237.92	4,794,023.57	Dividends Declared.....		-	564,000.00
Allowance Inventory.....		191,339.39	348,616.79	Misc. Current & Accrued Liabilities.....		7,892,010.08	7,573,096.04
Prepayments.....		2,383,477.16	2,722,222.23	Total.....		189,956,115.77	230,179,680.49
Miscellaneous Current & Accrued Assets.....		341,795.91	313,379.24	Deferred Credits and Other			
Total.....		150,840,114.96	151,788,419.08	Accumulated Deferred Income Taxes.....		308,231,174.06	316,298,548.00
Deferred Debits and Other				Investment Tax Credit.....		12,603,305.00	16,125,305.00
Unamortized Debt Expense.....		4,427,829.54	4,740,025.49	Regulatory Liability - Deferred Taxes.....		59,781,772.00	65,022,430.00
Unamortized Loss on Bonds.....		6,431,900.70	7,301,570.55	Customer Advances for Construction.....		1,619,864.27	1,514,587.54
Accumulated Deferred Income Taxes.....		86,862,874.81	76,837,466.45	Other Deferred Credits.....		9,357,279.81	9,410,278.33
Deferred Regulatory Assets.....		33,421,853.41	37,356,926.94	Misc. Long-Term Liabilities.....		45,095,666.97	23,641,522.68
Other Deferred Debits.....		20,778,183.68	8,365,938.35	Misc. Long-Term Liab. Due to Assoc. Co.....		2,242,913.00	2,242,913.00
Total.....		151,922,642.14	134,601,927.78	Accum Provision for Post-Retirement Benefits.....		49,913,680.82	30,763,220.82
Total Assets and Other Debits.....		1,906,176,428.14	1,863,653,411.41	Total.....		488,845,655.93	465,018,805.37
				Total Liabilities and Other Credits.....		1,906,176,428.14	1,863,653,411.41

KENTUCKY UTILITIES COMPANY
COMPARATIVE STATEMENT OF INCOME
AUGUST 31, 2001

	YEAR ENDED CURRENT MONTH			
	THIS YEAR AMOUNT	LAST YEAR AMOUNT	INCREASE OR DECREASE AMOUNT %	
Electric Operating Revenues.....	859,220,831.44	838,292,383.31	20,928,448.13	2.50
Rate Refunds.....	4,009,824.43	22,777,689.92	(18,767,865.49)	(82.40)
Total Operating Revenues.....	863,230,655.87	861,070,073.23	2,160,582.64	0.25
Operating Expenses				
Fuel.....	231,301,450.37	215,077,005.01	16,224,445.36	7.54
Power Purchased.....	160,502,789.93	184,165,919.60	(23,663,129.67)	(12.85)
Other Operation Expenses.....	165,616,606.97	117,919,174.87	47,697,432.10	40.45
Maintenance.....	58,123,384.53	62,144,788.86	(4,021,404.33)	(6.47)
Depreciation.....	93,902,457.23	93,853,749.51	48,707.72	0.05
Amortization Expense.....	3,035,906.99	1,965,490.21	1,070,416.78	54.46
Taxes				
Federal Income.....	49,154,681.79	46,402,681.00	2,752,000.79	5.93
State Income.....	10,581,234.58	12,123,672.00	(1,542,437.42)	(12.72)
Deferred Federal Income - Net.....	(21,429,357.74)	(8,970,824.00)	(12,458,533.74)	138.88
Deferred State Income - Net.....	(3,707,225.72)	338,159.00	(4,045,384.72)	-
Federal Income - Estimated.....	1,199,851.27	(705,031.46)	1,904,882.73	(270.18)
State Income - Estimated.....	405,372.83	(110,276.52)	515,649.35	(467.60)
Property and Other.....	16,740,093.10	16,300,401.74	439,691.36	2.70
Loss (Gain) from Disposition of Allowances.....	(317,036.15)	(862,070.06)	545,033.91	(63.22)
Total Operating Expenses.....	765,110,209.98	739,642,839.76	25,467,370.22	3.44
Net Operating Income.....	98,120,445.89	121,427,233.47	(23,306,787.58)	(19.19)
Other Income Less Deductions				
Interest and Dividend Income.....	1,236,689.72	2,346,480.25	(1,109,790.53)	(47.30)
Other Income Less Deductions.....	6,188,336.82	6,465,051.96	(276,715.14)	(4.28)
AFUDC - Equity.....	37,058.96	66,537.95	(29,478.99)	(44.30)
Total Other Income Less Deductions.....	7,462,085.50	8,878,070.16	(1,415,984.66)	(15.95)
Income Before Interest Charges.....	105,582,531.39	130,305,303.63	(24,722,772.24)	(18.97)
Interest on Long Term Debt.....	29,125,197.17	34,383,091.05	(5,257,893.88)	(15.29)
Amortization of Debt Expense - Net.....	1,204,895.02	1,426,203.64	(221,308.62)	(15.52)
Other Interest Expenses.....	6,425,624.79	4,597,955.62	1,827,669.17	39.75
AFUDC - Borrowed Funds.....	(16,479.15)	(25,727.36)	9,248.21	(35.95)
Total Interest Charges.....	36,739,237.83	40,381,522.95	(3,642,285.12)	(9.02)
Net Inc Before Cumulative Effect of Acctg Chg.....	68,843,293.56	89,923,780.68	(21,080,487.12)	(23.44)
Cumulative Effect of Accounting Chg Net of Tax.....	136,177.00	-	136,177.00	-
Net Income.....	68,979,470.56	89,923,780.68	(20,944,310.12)	(23.29)
Preferred Dividend Requirements.....	2,256,005.67	2,256,006.30	(60.63)	-
Earnings Available for Common.....	66,723,464.89	87,667,774.38	(20,944,309.49)	-

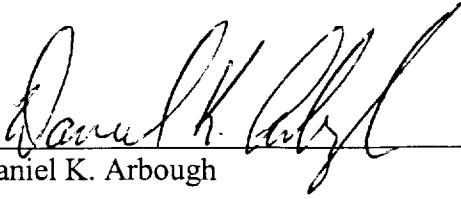
KENTUCKY UTILITIES COMPANY
ANALYSIS OF RETAINED EARNINGS
August 31, 2001

	Year to Date			Year Ended Current Month		
	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Total Retained Earnings	Undistributed Subsidiary Earnings	Undistributed Subsidiary Earnings
Retained Earnings and Undistributed Earnings						
Balance Beginning of Period.....	346,365,406.09	114,735.25	346,480,141.34	335,444,861.81	634,480.47	
Net Income To Date.....	31,568,838.28		31,568,838.28	68,979,470.56		
Adjust for Equity in Subsidiary Earnings for Year						
-EE Inc.....	(1,406,526.20)		(1,406,526.20)	(2,101,399.60)	2,101,399.60	
Dividends Rec'd Current Year						
-EE Inc.....	1,522,015.56		1,522,015.56	2,093,540.09	(2,093,540.09)	
Preferred Stock Dividends.....	(1,504,001.79)		(1,504,001.79)	(2,256,005.67)		
Common Stock Dividends.....				(25,500,000.00)		
Balance End of Period.....	<u>376,545,731.94</u>	<u>114,735.25</u>	<u>376,660,467.19</u>	<u>376,660,467.19</u>	<u>642,339.98</u>	<u>642,339.98</u>
Combined Retained Earnings	12 MONTHS 08/31/2001	12 MONTHS 8/31/2000				
Retained Earnings Beginning of Period.....	336,079,365.08	336,411,592.90				
Add Net Income.....	68,979,470.56	89,923,780.68				
Subtotal.....	<u>405,058,835.64</u>	<u>426,335,373.58</u>				
Deduct						
Dividends on Preferred Stock.....	2,256,005.67	2,256,008.50				
Dividends on Common Stock.....	25,500,000.00	88,000,000.00				
Perferred Stock Redemption Exp and Other.....						
Retained Earnings End of Period.....	<u>377,302,829.97</u>	<u>336,079,365.08</u>				

OFFICER'S CERTIFICATE

I, Daniel K. Arbough, certify that I am Treasurer of Kentucky Utilities Company, a Kentucky corporation (the "Company"); that I am one of the officers of the Company authorized to make certified copies of the corporate records; and as Treasurer, I have access to all original records of the Company. I do hereby certify that attached hereto are resolutions of the Board of Directors of the Company duly adopted at a meeting on August 1, 2001, and that the same are in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have signed this Certificate this 16th day of October 2001.



Daniel K. Arbough
Treasurer

**RESOLUTIONS OF THE BOARD OF DIRECTORS
OF
KENTUCKY UTILITIES COMPANY**

Re: Refinancing of Pollution Control Revenue Bonds

August 1, 2001

WHEREAS, the County of Carroll, Kentucky has issued and outstanding: (1) \$20,930,000 in principal amount of its Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project) 1992 Series B and (2) \$2,400,000 in principal amount of its Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project) 1992 Series C (each series of bonds being herein collectively referred to as the "Existing Carroll County Pollution Control Bonds"); the County of Muhlenberg, Kentucky has issued and outstanding \$7,200,000 in principal amount of its Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project) 1992 Series A (the "Existing Muhlenberg County Pollution Control Bonds"); and the County of Mercer, Kentucky has issued and outstanding \$7,400,000 in principal amount of its Collateralized Pollution Control Revenue Bonds (Kentucky Utilities Company Project) 1992 Series A (the "Existing Mercer County Pollution Control Bonds", and the Existing Carroll County Pollution Control Bonds, the Existing Muhlenberg County Pollution Control Bonds and the Existing Mercer County Pollution Control Bonds are herein collectively referred to as the "Existing Pollution Control Bonds"); which provide financing and refinancing for the acquisition of certain pollution control facilities (the "Projects") of the Company in Carroll, Muhlenberg and Mercer Counties in Kentucky (County of Carroll, Kentucky, County of Muhlenberg, Kentucky and County of Mercer, Kentucky are each referred to herein individually as an "Issuer" and, collectively, as the "Issuers"); and

WHEREAS, market conditions may warrant, in the foreseeable future, refinancing of all or a portion of the Existing Pollution Control Bonds, and it is appropriate and in the best interest of the Company that action be taken to authorize such an undertaking; and

WHEREAS, in connection with the refinancing of the Existing Pollution Control Bonds, the Company may secure its payment obligations under one or more loan agreements with the Issuers; and

WHEREAS, such security may be in the form of bond insurance and/or one or more series of the Company's First Mortgage Bonds.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Company as follows:

- (a) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be, and each of them hereby is, authorized and directed to cause the preparation of, and to approve, the following documents in connection with the refinancing of all or a portion of the Existing Pollution Control Bonds referred to above: (i) a loan agreement or loan agreements to be entered into between the Company and each Issuer whereby such Issuer will issue one or more series of its Pollution Control Revenue Bonds (collectively, the "Pollution Control Bonds") and loan the proceeds to the Company to be used to pay and discharge all or a part of its Existing Pollution Control Bonds and pursuant to which the Company will be obligated to make loan payments sufficient to pay the principal of, premium, if any, and interest on such Pollution Control Bonds to be issued by such Issuer, and any related expenses, (ii) one or more guaranties from the Company in favor of a trustee or trustees chosen or appointed by such officers of the Company (the "Trustee") for the benefit of the holders of the Pollution Control Bonds guaranteeing repayment of all or any part of the obligations under such Pollution Control Bonds, (iii) such contracts of purchase, underwriting agreements or similar contracts or agreements with the Issuers and with other appropriate parties relating to the issuance of the Pollution Control Bonds, (iv) a preliminary official statement or preliminary official statements and a final official statement or final official statements which will describe the Company, the Issuers, the Projects, the Pollution Control Bonds, the loan agreements, and indentures of trust pursuant to which such Pollution Control Bonds are to be issued, and which will be used by the underwriter or underwriters chosen by such officers of the Company (the "Underwriters") in connection with the sale of such Pollution Control Bonds to the public, (v) a form or forms of escrow agreement, or such other documents as may be deemed appropriate, by and between each Issuer and the respective trustees under the respective indentures pursuant to which the Existing Pollution Control Bonds were issued and pursuant to which certain securities may be held by such trustees in order to provide for the payment and discharge of the Existing Pollution Control Bonds, (vi) such reimbursement agreements, remarketing agreements, auction agreements, broker-dealer agreements, credit agreements, bond insurance documents or agreements or other similar documents or agreements as may be reasonably required, in the event the Pollution Control Bonds, or any of them, are issued as variable rate demand or similar instruments, in the discretion of such officers, (vii) one or more supplemental indentures and/or supplemental trust indentures pursuant to which the Company may issue its Notes or First Mortgage Bonds to secure the transaction, and (viii) such other related documents, forms, certificates or agreements as shall be necessary or appropriate to effectuate such refinancing.

- (b) That the officers of the Company be, and each of them hereby is, authorized by and on behalf of the Company, to negotiate and enter into one or more Indentures or similar agreements (collectively, the "Indenture") with a trustee or trustees to be selected by the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President or the Treasurer, as supplemented by one or more supplemental indentures thereto, and to issue from time to time the Notes or Bonds thereunder, each in substantially the form presented to and approved by any such officer with such changes thereto as the officer executing each of such documents deems appropriate, with such officer's execution of the definitive documents to conclusively evidence such officer's approval and the approval of this Board of Directors.
- (c) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be, and each of them hereby is, authorized and empowered (i) to execute and file, or cause to be filed, on behalf of the Company such applications or petitions with any federal, state, or local commission, court, agency or body having jurisdiction as may be required to obtain any approvals, consents, orders or rulings as such officers or counsel for the Company may deem to be necessary or desirable in connection with the Company's participation in such financing and the transactions and documents contemplated thereby, and (ii) to execute and deliver or file such amendments or supplements to said applications or petitions as may be required by law or as may be deemed to be proper or appropriate in their judgment or in the judgment of counsel for the Company in connection with the foregoing.
- (d) That the Company shall borrow the sum of not to exceed \$37.93 million from the Issuers in accordance with the terms of the loan agreements, and the proceeds of such borrowings shall be used by the Company to pay and discharge all or a portion of the Existing Pollution Control Bonds and for such other purposes, if any, as may be provided in any of the agreements and documents required to be executed and delivered in connection with the issuance of the Pollution Control Bonds.
- (e) That the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be, and each of them, hereby is authorized to approve offers for the purchase from the County of Carroll, Kentucky, of not to exceed \$23,330,000 principal amount of Pollution Control Bonds, from the County of Muhlenberg, Kentucky, of not to exceed \$7,200,000 principal amount of Pollution Control Bonds and from the County of Mercer,

Kentucky, of not to exceed \$7,400,000 principal amount of Pollution Control Bonds. Such purchases may be through negotiation, competitive bidding, or private placement transaction, as determined to be reasonable. The proceeds will be loaned to the Company, at such purchase prices, which shall be not less than the principal amount thereof plus accrued interest from the date of such Pollution Control Bonds to the date of closing, and at such interest rate or rates, as determined to be reasonable.

- (f) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute, on behalf of the Company, loan agreements with the County of Carroll, Kentucky, providing for the loan to the Company of the proceeds of not to exceed \$23,300,000 principal amount of Pollution Control Bonds, loan agreements with the County of Muhlenberg, Kentucky, providing for the loan to the Company of the proceeds of not to exceed \$7,200,000 principal amount of Pollution Control Bonds, and loan agreements with the County of Mercer, Kentucky, providing for the loan to the Company of the proceeds of not to exceed \$7,400,000 principal amount of Pollution Control Bonds, in accordance with the terms and provisions thereof.
- (g) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute, on behalf of the Company, one or more guaranties in favor of the Trustees for the benefit of the holders of the Pollution Control Bonds guaranteeing the payment of all or any part of the obligations under such Pollution Control Bonds.
- (h) That the appropriate officers of the Company be, and each of them hereby is, authorized to execute, on behalf of the Company, one or more contracts of purchase, underwriting agreements or similar contracts or agreements with Carroll County, Kentucky, and with other appropriate parties relating to the sale of not to exceed \$23,330,000 principal amount of Pollution Control Bonds; one or more contracts of purchase, underwriting agreements or similar contracts or agreements with Muhlenberg County, Kentucky and with other appropriate parties relating to the sale of not to exceed \$7,200,000 principal amount of Pollution Control Bonds; and one or more contracts of purchase, underwriting agreements or similar contracts or agreements with Mercer County, Kentucky and with other appropriate parties relating to the sale of not to exceed \$7,400,000 principal amount of Pollution Control Bonds.
- (i) That there is created for issuance under the Indenture of Mortgage or Deed of Trust, dated May 1, 1947, as supplemented, from the Company to Continental Illinois National Bank and Trust Company of Chicago and Edmond B. Stofft, as Trustees, four new series of bonds of the Company designated "First Mortgage Bonds, Pollution Control Series No. 12," in a

principal amount not to exceed \$20,930,000, "First Mortgage Bonds, Pollution Control Series No. 13" in a principal amount not to exceed \$2,400,000, "First Mortgage Bonds, Pollution Control Series No. 14" in a principal amount not to exceed \$7,200,000 and "First Mortgage Bonds, Pollution Control Series No. 15" in a principal amount not to exceed \$7,400,000, (collectively, "Bonds"), the principal amount of and interest on which Bonds shall not be payable except upon the occurrence of an event of default or otherwise as set forth in one or more new Supplemental Indentures pertaining to the Bonds. The terms and provisions thereof shall be substantially as set forth in the form or forms of bond provided in the Supplemental Indenture with such variations (in the event temporary bonds are issued originally) as are contemplated by Section 12 of Article I of the Indenture.

- (j) That for purposes of setting forth the particulars of the Bonds, of specifically subjecting property to the lien of said Indenture as supplemented; of supplementing Article I of said Indenture; and of adding to the covenants set forth in said Indenture new covenants to be performed and observed by it, this Company shall execute and deliver to US Bank Trust National Association and Patrick J. Crowley, as successor trustees, one or more Supplemental Indentures.
- (k) That the President, Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be and they are hereby authorized, empowered and directed on behalf of this Company to cause the Supplemental Indentures to be filed for record as necessary and to take any other steps to make them binding upon and enforceable against this Company in accordance with their terms.
- (l) That the President, any Vice President, Treasurer, or any other officer of the Company be and they are hereby authorized, empowered and directed to execute on behalf of this Company (the signature of Richard Aitken-Davies, as Chief Financial Officer, and the facsimile signature of John R. McCall, as Secretary being hereby approved and adopted) not to exceed \$20,930,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 12, \$2,400,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 13, \$7,200,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 14, and \$7,400,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 15, of this Company, to cause its corporate seal to be affixed or printed, lithographed or engraved thereon and to cause said Bonds to be authenticated by the manual signature of an authorized officer or agent of US Bank Trust National Association or its successor, as Trustee.

- (m) That the President, Chief Financial Officer, any Vice President, Treasurer, or any other officer of the Company be and any of them hereby is authorized, empowered and directed to deliver (i) not to exceed \$20,930,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 12, and \$2,400,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 13, on behalf of this Company to the Trustee under an Indenture of Trust from the County of Carroll, Kentucky, to such Trustee, in accordance with the terms of the contract of purchase, or similar agreement providing for the sale of the Pollution Control Bonds of the Issuer, which Pollution Control Bonds of the Issuer, are described herein, (ii) not to exceed \$7,200,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 14, on behalf of this Company to the Trustee under an Indenture of Trust from the County of Muhlenberg, Kentucky, to such Trustee, in accordance with the terms of the contract of purchase, or similar agreement providing for the sale of the Pollution Control Bonds of the Issuer, which Pollution Control Bonds of the Issuer, are described herein, and (iii) not to exceed \$7,400,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 15, on behalf of this Company to the Trustee under an Indenture of Trust from the County of Mercer, Kentucky, to such Trustee, in accordance with the terms of the contract of purchase, or similar agreement providing for the sale of the Pollution Control Bonds.
- (n) That US Bank Trust National Association or its successor, as Trustee, be and it is hereby authorized, empowered and directed, upon compliance by the Company with the applicable provisions of said Indenture dated May 1, 1947, as supplemented and as it is to be supplemented, to authenticate and deliver not to exceed \$20,930,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 12, \$2,400,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 13, \$7,200,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 14, and \$7,400,000 principal amount of First Mortgage Bonds, Pollution Control Series No. 15.
- (o) That the President, Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be and any of them is hereby authorized, empowered and directed to execute any and all instruments, pay any and all taxes, and do any and all acts and things that may be necessary or required by said Indenture dated May 1, 1947, as supplemented and as it is to be supplemented, or that may in their judgment be advisable to effectuate the issuance, authentication, delivery and sale of not to exceed \$37.93 million principal amount of the Bonds according to the tenor and purport of these resolutions, and without limitation of the foregoing that the officers of this Company be and they are hereby authorized, empowered and directed to make an application or

applications to the Trustee as provided in Article II of said Indenture dated May 1, 1947, for authentication and delivery by the Trustee of the Bonds, in the aggregate principal amount of not to exceed \$37.93 million under the provisions of Sections 2, 3 and/or 4 of said Article II of said Indenture dated May 1, 1947.

- (p) That the President, Chief Financial Officer, any Vice President, or any other officer of the Company be and they are hereby authorized, empowered and directed to cause this Company's corporate name and seal to be affixed to said Supplemental Indentures and to sign, attest, acknowledge and deliver said Supplemental Indentures for and in behalf of this Company.
- (q) That there is hereby created an Indenture Committee of this Board of Directors, said Indenture Committee being empowered and authorized to adopt such other resolutions as may be deemed necessary or desirable under the Indenture dated May 1, 1947 to consummate the transactions contemplated by these resolutions and that Victor A. Staffieri, Nick Baldwin and David J. Jackson are designated and appointed as the members of said Indenture Committee.
- (r) That the officers of the Company be, and each of them hereby is, authorized by and on behalf of the Company, to negotiate and enter into one or more bond insurance or similar agreements with a bond insurer to be selected by the Chief Executive Officer, the President, Chief Financial Officer, any Vice President or the Treasurer, each in substantially the form presented to and approved by any such officer with such changes thereto as the officer executing each of such documents shall deem necessary or advisable, the execution of such documents thereby to conclusively evidence such officer's approval and the approval of this Board of Directors.
- (s) That in the event all or a portion of the Pollution Control Bonds bear a variable rate of interest, the appropriate officers of the Company be, and each of them, hereby is authorized to execute on behalf of the Company one or more remarketing agreements, auction agreements, reimbursement agreements or similar agreements with appropriate parties providing for the remarketing of such Pollution Control Bonds, a credit agreement or credit agreements or similar agreements and any promissory notes to be issued pursuant to such agreements for the purpose of providing a source of funds upon tender of such Bonds, and any other agreements in order to consummate the transactions contemplated by the Loan Agreements.
- (t) That the appropriate officers of the Company be, and each of them, hereby is authorized to execute on behalf of the Company: (i) one or more interest rate swap, collar, or cap agreements or similar agreements with

one or more underwriters, banks or other financial institutions providing for the hedging of the interest rate on the Pollution Control Bonds and (ii) any other agreement, document or instrument that may be necessary or appropriate in connection with any such transaction.

- (u) That the Chief Executive Officer, the President, any Vice President, or any other officer of the Company be, and each one of them is, authorized, empowered and directed to take any action and to execute and deliver any document, certificate or other instrument, including one or more escrow agreements, that may be necessary or appropriate: (i) to call for redemption the Existing Pollution Control Bonds and first mortgage bonds which secure such Existing Pollution Control Bonds on such date as said officer or officers may deem appropriate, or (ii) to otherwise effect the payment and discharge of the Existing Pollution Control Bonds and first mortgage bonds which secure such Existing Pollution Control Bonds.
- (v) That the officers of the Company be, and each of them hereby is, authorized in the name and on behalf of the Company and under its corporate seal or otherwise, to take or cause to be taken all such further actions and to execute and deliver or cause to be executed and delivered all such further documents, bond insurance documents or agreements, certificates and agreements (including without limitation, instruments authorizing or consenting to amendment, modifications or waivers to any of the agreements or disclosure documents executed in connection with the issuance, execution and delivery of the Notes or Bonds, the execution and delivery of the First Mortgage Bonds, the execution and delivery of the bond insurance documents or agreements, and the execution and delivery of the Indenture) as such persons may deem necessary, advisable or appropriate in connection with the transactions contemplated thereby and hereby, and to incur all such fees and expenses as shall be necessary, advisable or appropriate in their judgment in order to carry into effect the purpose and intent of any and all of the foregoing resolutions.
- (w) That the Chief Executive Officer, the President, Chief Financial Officer, any Vice President, Treasurer or any other officer of the Company be and they are hereby authorized and empowered to take all steps or actions, and to execute and deliver any other documents, certificates or other instruments, deemed necessary, proper or appropriate in their judgment or in the judgment of counsel for the Company in connection with the financing referred to above and to carry out the purposes of the foregoing resolutions.
- (x) That Daniel K. Arbough is hereby appointed as "Company Representative" and Richard Aitken-Davies and S. Bradford Rives are hereby appointed as "Alternate Company Representatives," respectively, under the provisions of the pollution control indentures and the loan agreements. The President

and any Vice President, the Chief Financial Officer or the Treasurer of the Company are authorized to appoint from time to time other persons (who may be employees of the Company) to act as "Company Representative" or "Alternate Company Representative" under the pollution control indentures and the loan agreements.

- (y) That any acts of the officers of this Company, which acts would have been authorized by the foregoing resolutions except that such acts were taken prior to the adoption of such resolutions, are hereby severally ratified, confirmed, approved and adopted as acts in the name of and on behalf of this Company.
- (z) That the Board of Directors does hereby adopt, as if fully set out herein, the form of any resolutions with respect to the Pollution Control Bonds as may be required by the Underwriters, Harris Trust and Savings Bank, as Trustee, and any other entities requiring such resolutions to effect the intent of these resolutions.
- (aa) That each of the Chief Executive Officer, President, Chief Financial Officer, any Vice President, the Chief Financial Officer, the Treasurer, the Secretary or any Assistant Secretary of the Company be, and hereby is, authorized and directed to take any and all further action to see that the intent of the above resolutions are carried forth.